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**Turning Executives
Into Entrepreneurs**

**Partnerships In
Franchising**

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Combating Crime

*How small businesses
are fighting back against
the violent crime that
threatens them and
their customers.*



MARCH 1994



03

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PHOTO: STOM SOBOLIK—BLACK STAR

Anti-crime tactics such as open surveillance of shopping areas are being adopted by business owners determined to overcome the threat of crime. At their best, they're counterpunching collectively. *Cover Story, Page 16.*



PHOTO: SWEETLEY HITT

A partnership approach: TCBY President Charles Cocotas with store owner Velma Caulder. *Franchising, Page 49.*

COVER STORY

16 Combating Crime

Owners of small companies are taking action to prevent criminal threats to their businesses and regain control of their communities. Here are their tactics and the recommendations of experts.

- 19—Should You Be Armed?
- 20—Improving Your Security
- 24—Crime Insurance:
Protect People First

BENEFITS

25 Pension Options For Small Firms

Here are four ways to help nest eggs grow for your employees—and yourself.

EDUCATION

30 New Approaches To Education Reform

A number of localities are taking bold steps—such as contracting with private management firms—to improve schools.

- 31—For More Information
- 32—What Businesses Can Do

ENTERPRISE

33 Out On A Limb And On Their Own

For some executives who become entrepreneurs, it's a downer. For others, it's the high of a lifetime.

60 There's Never A Smooth Ride

Constant challenge is the name of the game, say 1994's Blue Chip Enterprises. Here's the list of all 200 honorees throughout the country.

MANAGING

36 Patents: A Stake In The Future

What you need to know to master the sometimes-rigorous, often-misunderstood process of protecting your own or your company's intellectual property.

- 39—If You're Accused
Of Patent Infringement

SMALL-BUSINESS COMPUTING

42 Macs' Appeal; Taxes; Cards On File

Now may be the time to buy the high-powered Mac and peripheral equipment you dreamed about but could not afford.

TRANSPORTATION

46 You Make It, They Distribute It

To cut costs, small firms are turning to third-party logistics companies for packaging and trucking services.

- 46—How To Pick A Logistics Firm
- 48—More Resources

FRANCHISING SPECIAL GUIDE

49 Less A Parent, More A Partner

Franchisors tell how they are fostering a sense of team effort with their franchisees.

- 54—How To Start
An Advisory Council
- 56—Resources And Expos

FAMILY BUSINESS

64 The Burdens Of Ownership

Handling the stresses at the top; mobilizing for the future; coping with a fractured marriage.

POLL RESULTS

77 Readers' Views On Mandated Spending

An overwhelming majority of *Nation's Business* readers express opposition to Congress' penchant for passing on the costs of federal legislation to states and localities.

WHERE I STAND

76 On Business Problems

Results of this poll on anti-crime measures, economic trends, health care, and various business concerns will be sent to congressional leaders and the White House.

Editor's Note

Coping With *The Business Nightmare*

Our cover illustration this month depicts the business nightmare of the '90s—staring down the barrel of a gun that might be held by a robber, a vengeance-minded former employee, or a psychopath hoping for a chance to kill. The business owners' fear is not groundless: Homicide has become the third-most-prevalent cause of death in the U.S. workplace. The cover story, "Combating Crime" (Page 16), not only reports on the extent of crimes against businesses but also provides advice on defenses against this assault.



PHOTO: JOSEPH PALMER/UNPHOTO

Assistant Managing Editor Roger Thompson was the editorial director for this project, which involved the work of many contributors. Their work covers such subjects as the role of insurance and whether you should have a gun on your business premises. Read this article. Save it. You'll find that it is one of the most important information resources that any publication has offered you for a long time, and it will be useful even longer.

On a cheerier note, we list in this issue (Page 60) the names of the 200 small businesses chosen as Blue Chip Enterprises for 1994. They were selected under a program established to recognize companies that have overcome adversity through particularly innovative actions. Four national designees will be chosen from their ranks, and the stories of how the national Blue Chip enterprises earned that recognition will appear in our next issue.

In this photo, Senior Editor Joan Szabo interviews Education Secretary Richard Riley for her article (Page 30) on what businesses



PHOTO: T. MICHAEL KEZA

are doing to improve the American education system. These steps, you will find, range from the actual running of schools by private companies to voluntary tutoring by individual business people. There are sure to be some ideas for improving your community's schools in this comprehensive report.

Robert T. Gray

Robert T. Gray
Editor



PHOTO: SIDOR BAKHMET

Creating a "bright future" are Andy and Tina Glanzman of Northern Lights Candles. Making It, Page 14.

DEPARTMENTS

- 4 Letters
- 6 Entrepreneur's Notebook
- 8 Dateline: Washington
- 10 Managing Your Small Business
- 14 Making It
- 67 Free-Spirited Enterprise
- 68 Direct Line
- 70 To Your Health
- 71 It's Your Money
- 74 Classified Ads
- 78 For Your Tax File
- 79 Editorial

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Nation's Business

Letters

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The Disabilities Law: Where Does It Stop?

Why can't small business thrive the way it once did? Read Nat B. Dellavalle's February letter, in which he complained that the color-coded map accompanying "More Sales Taxes On Services?" [January] may

have discriminated against color-blind people like him and violated the spirit of the Americans with Disabilities Act.

I am sorry that you are color-blind, Mr. Dellavalle, but please don't make me go back to printing in black and white. And what about people who can't read? Do I have to send a recording with each issue?

The Americans with Disabilities Act is government intervention at its worst.

Joe D. Bryant

Owner

UltraThin Ribbons & Medals
Moore, Okla.



Overbearing Regulation

After reading "The Disabilities Law: Watch For Pitfalls" in the January issue, I wondered why businesses are putting up with this sort of overbearing regulation. This from a government that has no idea how to balance a budget.

Robert Rex

Amnesty America

Wooster, Ohio

Japan Still Poses An Economic Threat

Our country is being devastated daily—economically and politically—by Japan, which sells its products below cost, then reaps huge profits when the competition is destroyed.

I believe we need a tough Cabinet-level czar (like Lee Iacocca) to get appropriate laws enacted. If we do not do this, I fear, the day will come when we dance to Japan's tune.

Charles Woods

Major, U.S. Air Force (Ret.)

Woods Communications Group, Inc.
Incline Village, Nev.

No Need To Scrap Health-Care System

I was unhappy to see *Nation's Business* endorsing "health reform." The argument in November's editorial was, in effect,

that medical costs are so high that something must be done. I would ask this: When has government ever made anything more efficient or cost-effective? Health reform will only add another layer of government regulations and expenses, with most of the cost to be placed on business.

Historically, socialized medicine has been a disaster. Canadians waiting for surgery or special procedures come across the border to U.S. hospitals. Where will Americans go for their urgent treatment when our private infrastructure is destroyed?

There are ways medical costs can be reduced, but Bill Clinton has ignored them. Some sug-

gestions to consider are tort reform to reduce malpractice costs, Food and Drug Administration reform to reduce excessive regulation of manufacturers of medicine and medical devices, and tax reform to reduce taxes on businesses (including doctors).

Let's not destroy the finest quality of medical care available in the world.

Mark Fernwood, President
Danville Engineering Inc.
Danville, Calif.

Tax Bite Penalizes Companies That Hire

The question of why companies are not hiring arises regularly. In our own case, government at all levels penalizes us for hiring more people.

We would need to increase sales \$68,000 a year just to cover the wages, taxes, benefits, and equipment for a new, \$25,000-a-year employee. If the company sells more than \$68,000, taxes would take almost 35 percent of it. If we sell less, the tax man still beats on us to pay him first. So the risk of hiring new people is not in balance with the potential gain.

If our collective governments want to increase employment, they should be looking at ways of lowering our risks and costs, not increasing them.

Douglas G. Brooks, President
UltraCAD Design, Inc.
Redmond, Wash.

A Tax Travesty

The changes in the 1993 federal tax law signed by President Clinton are replete with the same old, wasteful pork-barrel projects that damaged the credibility of previous tax laws. There are hundreds of exemptions and loopholes that were never

part of the administration's plan. Behind each tax break is a member of Congress who was acting on behalf of a special interest. Since Republicans were voting no, nearly all the exemptions benefited Democrats.

Because the administration had granted so many favors to unwavering Democrats, it had to make the tax changes retroactive to Jan. 1, 1993, in order to reach its deficit-reduction goal.

*Dailey J. Berard, President
Universal Fabricators, Inc.
New Iberia, La.*

A Lack Of Financing For Service Ventures

After reading "Cashing In On 504 Loans" [December], I felt compelled to make this plea.

For three years we have tried in vain to obtain a Small Business Administration (SBA) loan of less than \$100,000 to expand our service company, which provides substance-abuse screening and other related programs.

We invested a mountain of time, work, and paper in preparing several very impressive (the bankers' words) business plans, only to be turned down because of a lack of tangible assets. The SBA has suggested that we seek private financing, which is virtually impossible to find.

This country is rapidly becoming a service economy, yet there is no financing available for such ventures. Help.

*Jerrie Earle
Secretary-Treasurer
Medical Specialty Consultants, Inc.
Lilburn, Ga.*

Labor Commission A Kangaroo Court

I read with interest the results of September's Where I Stand poll. Most of those who responded thought there was no need for a presidential commission to study labor-management relations.

Bill Clinton's Commission on the Future of Labor-Management Relations is not a fact-finding panel but instead a kangaroo court whose jury is stacked with pro-compulsion advocates whose only aim is to ram the union elite's agenda down American workers' throats.

How can the union leaders get away with demanding even more compulsory legislation from Congress and the Clinton administration? And why are Congress and Bill Clinton so eager to grant those coercive demands?

The answer to both questions is power and money.

*Martin Fox
Director of Public Affairs
National Right To Work
Committee
Springfield, Va.*

Public Less Tolerant Of Unethical Behavior

Most of the respondents to the October Where I Stand poll on business ethics said they believed that unethical behavior and illegal conduct have increased in recent years. While that perception may, in fact, reflect reality, your discussion of these findings, however, did not take into account the higher standards of public behavior that have come in the wake of Watergate. Activity that was at one time



ILLUSTRATION BY TONY RITCH

considered part of "the way business is done" is now thought inappropriate, unethical, or illegal.

Your poll may be telling us not that business standards of conduct are lower than ever but that public expectations are more demanding.

*Barbara Ley Toffler
Senior Principal
Resources for Responsible Management
Boston*

Moving It Yourself? Be Careful

It is certainly true that a company can cut its moving expenses by doing some of the work itself, as suggested in an item in October's Managing Your Small Business, "Doing It Yourself Lowers Moving Costs." But it is also true that some apparent savings can be illusory and that there are hidden risks for do-it-yourselfers. For example, did Donald Lace's company, Actodyne, hire a professional driver as well as rent a truck? If not, he took a gamble that one of his employees could handle the truck without mishap.

In addition, Actodyne's employees packed smaller items, such as the contents of bookcases and desk drawers. Improper bending and stooping by inexperienced packers can cause back problems; all kinds of injuries can befall inexperienced movers in loading and unloading a truck. Did Lace consider his exposure to possible workers' compensa-

tion claims? Moving is not exactly rocket science, but I think it is an oversimplification to suggest that any and every aspect of a move can be accomplished by a nonprofessional without risk.

*John P. Leistritz
Vice President, Marketing
Paul Arpin Van Lines Inc.
East Greenwich, R.I.*

Cars That Won't Start Are Welcome, Too

A representative of the national Goodwill Industries offices was quoted in a November It's Your Money item to the effect that donors of automobiles must drive them to a designated Goodwill lot. Local Goodwill agencies have a large degree of autonomy, and that requirement does not apply in my agency or in many other local Goodwills, which will pick up autos that won't start without some attention.

*Robert S. Rees
Vice President of Operations
Goodwill Industries
Of Wayne County, Inc.
Wooster, Ohio*

How You Can Benefit From Travel Insurance

I would like to elaborate on the December It's Your Money items on nonrefundable tickets and lost luggage.

Travel insurance, which is offered in most travel agencies, provides coverage for trip cancellation; trip interruption; loss, damage, or theft of baggage; emergency medical transportation; collision of rental cars; accident and sickness benefits; and other contingencies.

Travel insurance is the most all-encompassing product a traveler can buy.

*Edmund A. Cocco
Edmund A. Cocco Agency, Inc.
GlobalCare Travel Insurance
Services
Lynnfield, Mass.*

Sound Advice On Jobless Sons And Daughters

I liked the advice in September's It's Your Money on relationships between parents and jobless adult children still living at home. You took this tense, emotional situation and showed how to make it a calmer one.

*Pamela Lowden
Griffith, Ind.*

Send letters to Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Entrepreneur's Notebook

By Robert A. Funk

Opportunity In Adversity

In May 1982, Bill Reiff, president of Acme Personnel Services, based in Spokane, Wash., visited Oklahoma City to give a speech. He couldn't remember the punch lines to two jokes. The next day, he was diagnosed with a brain tumor.

The news devastated me. I was working in Oklahoma City as vice president in charge of Acme's Midwest operations. I had known Bill for 17 years, and I had planned to work for this friend and mentor for the rest of my career. Moreover, Bill was crucial to the company. My paycheck depended on Acme's continued success.

By late 1982, the business seemed to be in trouble. Everything we had worked to build—and my job, too—appeared to be in jeopardy. I sat down and cried.

In November, I went to see Bill in Las Vegas, where he had gone for treatment. He said: "Through adversity, Bob, always comes opportunity. Don't forget it." He was an insightful person; though I did not fully appreciate what he said, I did not forget it.

After Bill's death in February 1983, I was not in Acme's corporate plans. I bought the rights to a portion of Acme's business in Oklahoma City and, with two partners, started Express Personnel Services.

Express was a company formed in adversity. Oklahoma City's banks were in bad shape in 1983. No one wanted to lend us money. It took a mortgage on my house and farm to secure credit.

The downturn in the financial and oil industries in Oklahoma City was killing the personnel business. We vowed to be the last one in our business to go under. As competitors fell victim to the economy,

Robert A. Funk is chairman and president of Express Personnel Services Inc., in Oklahoma City. He prepared this account with Nation's Business Contributing Editor Charles A. Jaffe.

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

we got some of their business, which became our springboard. The competition's problems helped us. With so many companies in decline, the talent pool was rich and deep. We were able to hire quality workers anxious to make a company go despite hard times.

When everything had hit the rocks—

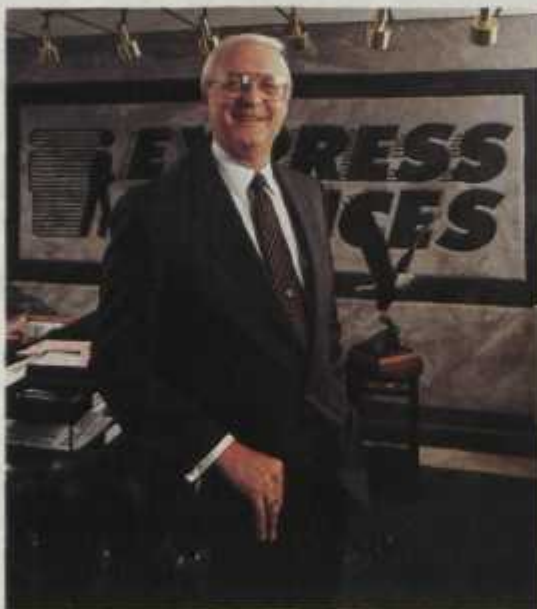


PHOTO: DAVID FITZGERALD

Robert Funk launched Express Personnel Services during an economic downturn in Oklahoma City.

Acme Personnel, Oklahoma's oil economy, the state's banking industry—the only thing I could do was look at opportunities available to us if we worked harder and smarter and parlayed our knowledge into something that could work nationwide.

Within two years of starting Express, we were able to buy several other parts of Acme, which had since gone into bankruptcy. We got 30 former Acme offices from the Pacific Coast to as far east as Illinois. What I had considered a family was together again. Today, Express has more than 180 franchise offices worldwide and sales of more than \$325 million.

It wasn't easy. I worked 80-hour weeks for the first five years. Things were so bad that everyone in the company gave whatever it took. That's how we survived.

I learned time and again that my friend and mentor was right about adversity bringing opportunity. My own history had taught that lesson before Bill said it. As a

kid, I had dreamed of owning my uncle's farm. When I was 23, I went to him with the financing arranged, but he wouldn't sell. I was devastated. But he suggested I work in a big city, and that's how I landed with Acme. His "bad" decision resulted in the best move I ever made.

As Express has grown, it has experienced the same pains most young ventures go through, especially in keeping control during periods of rapid growth. Having trouble keeping a handle on things persuaded me to get the best possible advice; the problems helped us become a better-managed company.

All around there are visible examples of companies that triumph through trouble. When oil became expensive in the '70s, some people made a lot of money selling smaller cars that got better gas mileage. When things in Oklahoma City turned sour, some people bought fancy used cars cheap and shipped them to markets where people were willing to pay a premium. If you can identify how to benefit during adversity, you can pursue the opportunity that lies within.

Right now, for example, adversity in the former Soviet bloc is presenting Express with new areas of potential growth. Those countries have trouble getting things we take for granted. That's a market for us.

Few entrepreneurs would look for trouble. But when it's there—either in the organization or in the economy—it pays to face the problems and make the most of the opportunities.

What I Learned

All around there are visible examples of companies that have triumphed during periods of trouble. . . . If you can survive adversity, it is also possible for you to pursue the opportunity that lies within.



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Dateline: Washington

Business news in brief from the nation's capital.

REGULATION

Clinton's Environmental Proposals Differ In Impact

The Clinton administration has released long-awaited proposals for overhaul of two environmental laws that have a big impact on business: the Clean Water Act and the Superfund law, which governs the cleanup of hazardous-waste sites.

The administration wants to change the Clean Water Act to strengthen the regulation of "nonpoint pollution"—contaminants that wash off farms and city streets and into bodies of water. "For the first time ever, we are tackling the hard part—the control of polluted runoff, which is the biggest remaining barrier we face in keeping the nation's waters clean," says Environmental Protection Agency Administrator Carol Browner.

Such pollution now accounts for more than half of water pollution, according to the EPA, and efforts to address it could have their biggest impact on farmers. Among other measures to address runoff, the Clinton proposal would give states flexibility in restricting pesticide use and in developing other approaches to the prevention of nonpoint pollution.

The proposal also would adversely affect some manufacturers. While in the past the EPA's oversight focused almost entirely on the water discharges from work sites, the agency would increasingly scrutinize production processes under the Clinton proposal. The EPA would also have stronger authority to ban or restrict the use of "highly toxic" chemicals, with chlorine and chlorinated compounds—commonly used to make paper and plastics—up for early consideration for new restrictions.

In contrast with its clean-water proposal, the administration's Superfund measure would address several business concerns with that 1980 law.

The hazardous-waste cleanup program has been hindered by slow cleanups and drawn-out litigation involving companies that have polluted. Browner wants to set up a new, speedier arbitration process to remove more disputes from the courts.

Also under the plan, a polluted site scheduled to be renovated as an industrial facility would be subject to less-stringent cleanup regulations than would a site slated for residential use. This provision would speed some cleanups and make them less expensive.



PHOTO: SCENES COOK—AP/WIDE WORLD

EPA Administrator Carol Browner discusses the revamping of environmental laws.

The administration also would impose a new tax on commercial insurance companies, raising \$3 billion to settle old Superfund-related lawsuits between businesses and their insurers.

Some provisions in the proposal could be particularly helpful to small firms. For example, the plan would let a company that contributed only minimally to the pollution

of a Superfund site settle early, and it would limit the liability of a developer who purchases land contaminated by a previous owner. Meanwhile, a lender who forecloses on a property containing hazardous waste would not be responsible for cleanup. Reducing such pressure on lenders could free up capital for loans.

—Laura M. Litvan

MANAGING

Do Quality Programs Lead To Support For Free Trade?

When President Clinton presented the Malcolm Baldrige National Quality Award in a Washington ceremony, he linked quality management to a stronger American performance in the world economy.

Speaking to executives and employees of Ames Rubber Corp. and Eastman Chemical Co., the president said: "If more American companies operated like you do, there would be much less anxiety when we have to make changes" like adoption of the North American Free Trade Agreement.

"A lot of the opposition to NAFTA really had nothing to do with the terms of the agreement," Clinton continued, "but instead had to do with the incredible anxiety that working people felt" because they believed "that their jobs and their incomes and their families weren't really

all that important to their employers."

At a White House briefing for business writers later that day, the president responded to a request from *Nation's Business* that he elaborate on his earlier remarks. He said that more and more U.S. companies "are committed to treating their employees as partners and to this whole quality approach, and most of them have very self-confident work forces that are very open to the risks of the global economy."

The workers at companies with "an old-fashioned sort of hierarchical relationship, not much communication between your employers and employees," lack that self-confidence, he said—thus their opposition to freer trade. NAFTA was so clearly in the interests of the U.S., Clinton continued, that "the opposition had to be about something other than what the terms of NAFTA were."

—Michael Barrier



1991



1992



1993




1994

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Managing Your Small Business

Networking when business is slow; profiting through civic involvement; getting your company's name out.

By Roberta Maynard

CONTACTS

Forging Ties With Clients New And Old

Taking the time to do something out of the ordinary for clients—and potential clients—can create bonds that help a business get through tough times. Carole Eichen, president and CEO of Carole Eichen Interiors, Inc., in Santa Ana, Calif., has found that going out of her way for a customer is time well spent.

Eichen has designed and furnished model homes for the past 27 years. Her clients are home builders in an industry that faced severe downturns in the early 1980s and again in the past few years.

During the earlier recession, Eichen began gathering 10 home builders to meet periodically around the conference table at her office to talk about mutual problems and concerns. It was almost like group therapy in those difficult times, she says. As the economy improved, the need for the sessions diminished.

In 1990, however, Eichen started the practice again. Every two months, she invites up to 50 CEOs in the home-



PHOTO: SEAN BARTHOLOMEW

Interior designer Carole Eichen's breakfast meetings for home builders cement business friendships.

building industry to attend what she calls a brainstorming breakfast. The meetings are held in her cafeteria from 7:30 to 9:30 a.m. She arranges for a speaker to address the group without charge.

The only cost to Eichen, other than planning time, is for the bagels, coffee, and juice she provides. She does not charge an attendance fee. In response to requests, she also arranges similar meetings for senior-level marketing execu-

tives. "People take lots of notes, they feel energized," she says. "They are in a conversation mode, not a seminar mode. People feel they can talk here."

How does Eichen, who moderates the meetings, get competitors to level with one another? The key is in how you do it, she says. "I treat [those who attend] royally and do my best to make them feel at ease. Soon, everyone is relaxed. After the meetings, people often stay to network."

Her advice for business people who may want to do something similar is to be careful about whom you invite to attend or to speak. Avoid those who would just try to sell their services. And, she says,

don't expect a last-minute effort to be successful. Take the time to plan the events carefully.

"I have survived [because of] relationships," she says. "I don't do the breakfasts for that reason, but it does cement friendships. I look at it as a contribution I can make to my industry." Last year, Eichen became the first person who is not a home builder to be elected to the California Homebuilding Industry Hall of Fame. ■

TIME MANAGEMENT

Tips For Reading Faster And Smarter

Given the volume of printed matter that business people encounter each day, it's easy to accumulate piles of unread material.

Richard Feldman, president of Learning Techniques, a Merrick, N.Y., firm that conducts educational seminars for companies, offers these tips to help you read more quickly and effectively:

- Preview materials by reading the first sentence of each paragraph, where most main ideas are located, to determine which items you can skip.

- Using your index finger, underline each sentence at a rate that forces you to read a little faster than is comfortable for you.

- Avoid reading at night. Most business people can double their reading speed and improve their concentration by doing their reading early in the day, when they are not feeling the fatigue of day's end.

- Short of time? You can get 50 percent of the ideas in most business books by reading the table of contents and then reading the first and last sentences of each paragraph.

- Use incandescent lighting, and read at a desk. Angle the material at 45 degrees from the surface to reduce eye strain.

- For complex materials, turn each subheading into a question and read to find the answer.

- Don't highlight. The use of a yellow marker can actually reduce understanding and reading efficiency by promoting the notion that the material can be read and digested later. The practice can lead to a false sense of security, according to Feldman.

- Create three piles for your business reading in order of importance, then read in order.

- After reading the correspondence you receive, jot down your decision or thoughts immediately. This will save you from having to reread it later. ■

REAL ESTATE

Options—And Costs—Are Yours In Finishing Office Space

Small businesses can get burned by failing to realize their options when negotiating an arrangement for the finishing of office space—known as a build-out—says contractor Mitch Tarzian. He is president of Tarcom, a general contracting firm in Elk Grove Village, Ill., that specializes in commercial work.

A common mistake, Tarzian says, is made by tenants who think that the cost of a build-out is absorbed fully by the building owner. Indeed, a set amount per square foot, called an allowance, is typically added to the tenant's base rent for build-out costs; it may be higher or lower than the actual costs.

Generally, even if the build-out costs less than the full allowance, the tenant must pay the allowance and is not likely to receive the difference—unless this point is specifically negotiated in the lease.

If the build-out is estimated to cost more than the allowance, the tenant can

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either revise the plans in order to stay within budget, or pay the additional cost upfront, or add the additional cost to the original allowance. The building management does not pay the extra costs.

Many businesses don't realize that they have the option of handling the build-out themselves, Tarzian says. If they oversee their own project, he says, they can control costs by getting bids and selecting the contractor. And they can amend their lease before they sign it to eliminate the allowance.

Also, when tenants manage the job themselves, they know the cost of each element, so they can modify the plans when possible to realize a direct savings.

John DeFrancesco, senior partner of DeFrancesco Goodfriend, a public-relations agency in Chicago, recently handled a build-out for his nine-employee firm. "We saved money, but we also eliminated a layer of management by working di-

rectly with the contractor," he says. "You've got to be prepared to get involved in the process. One important thing to do is to verify the reputation of the contractor."

If a tenant oversees the build-out, the building management will want to confirm that the work being done will meet local codes, Tarzian says. A tenant must also be sure that its plans meet the building owner's or manager's standards, such as the number of doors and windows required per linear foot. More expensive buildings may also have specific standards for quality.

Businesses considering a build-out should ask the building management the amount of its build-out allowance and request a copy of the building standards. They should also get legal advice when negotiating a lease. "Knowing what the options are can save businesses thousands of dollars, easily," Tarzian says. ■

COMMUNITY INVOLVEMENT

Making Public-Private Partnerships Work

When it comes to his business, his garden, and his community-based endeavors, Will Raap has a green thumb. The founder and president of Gardener's Supply, a mail-order company in Burlington, Vt., Raap has created a nonprofit entity dedicated to community-based agriculture and designed as an incubator to spur others to adopt similar programs.

Gardener's Supply currently provides financial support to the organization, the Intervale Foundation, but Raap hopes it will soon be self-sufficient.

The foundation's first project, a volunteer composting program, began four years ago. It involved taking compost from yard waste and using it on one of the foundation's community vegetable gardens. The project was so successful that the city of Burlington took it over.

Last year, under the foundation's auspices, Raap started another program: Food waste from a local hospital is used to create compost that fertilizes a large vegetable garden operated by the foundation. The foundation then sells the organic vegetables grown there back to the hospital for use in patients' meals. A restaurant chain and several grocery stores plan to join the project soon.

While such projects are clearly a labor of love for Raap, the goal is to set up models for cooperative environmental programs that make a profit. The foundation expects to gross \$20,000 annually from the sale of vegetables to the hospital, which will save \$7,000 in disposal fees.

Gardener's Supply also uses the program to test products and tools that



PHOTO: SALAH JARJUEH

Garden-supply entrepreneur Will Raap applies his green thumb to community improvement.

appear in its catalog. About 30 employees benefit, too; the company provides tools and land for them to do their own gardening during lunch and after work.

To companies interested in public-private partnerships, Raap advises: Get partners. Find out what key people in your community need, and see how you can provide it. In Raap's case, the mayor of Burlington wanted to raise the community's esteem for the neglected Intervale area while Raap was seeking sufficient space to start community-based farming and waste programs.

Doing something useful for the community hasn't hurt his business, either. In the past 10 years, Gardener's Supply has grown from five employees and annual sales of \$250,000 to a business employing 120, with sales nearing \$20 million. ■

COMMUNICATIONS

Avenues For Obtaining Publicity For Your Firm

If you have a story that you consider newsworthy about your product, service, or some aspect of your business operation, there are publishing services that may be able to help you spread the word. Two such outlets are *The Contact Sheet* and PR Newswire.

The Contact Sheet, based in Boulder, Colo., is a monthly publication of items submitted and paid for by companies; the publication is sent to 1,800 editors and reporters nationwide. They in turn are free to use the material, which is listed by subject, or they can call a business's contact person to obtain further information.

A few years ago, Eldorado Artesian Springs, Inc., placed an item in the magazine about its bottled spring water and picturesque Colorado location, featuring rock climbing and an operating 90-year-old swimming pool. The story on the company, in Eldorado Springs, was picked up by a national business magazine, the local newspapers, and a network TV show. The publicity undoubtedly boosted business, says Kevin Sipple, marketing vice president, who has just used the service for the third time.

The price of a one-time, 75-word entry in *The Contact Sheet* is \$195, with discounts for multiple issues. The publication's staff can also help a client write a news release. For a free copy of *The Contact Sheet* and a rate card, call 1-800-560-8358.

PR Newswire, an electronic service based in New York, works with individuals and businesses to tailor each message to the appropriate media audience. A one-time transmission of a 400-word message to a metropolitan area costs an average of \$60. Sending a message of that size to the national news media costs \$450. To send messages, companies must pay a yearly membership fee of \$100.

To obtain more information on PR Newswire's service, call 1-800-832-5522, Ext. 540.

To locate other services, check your local Yellow Pages under News Services. ■

NB TIP

Creative Selling

Looking for an upbeat approach to making sales? In his book *Can I Have 5 Minutes Of Your Time?* Hal Becker, a sales trainer, offers help. Formerly one of Xerox's top salespeople, Becker gives pointers on setting goals, overcoming objections, and closing a sale. He also provides inspiration and advice on how energy, innovation, and positive thinking can help you set yourself apart from competitors. The 158-page book is available at bookstores for \$12.95 or by calling 1-800-253-0466. ■

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CITATIONJET



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Making It

Growing businesses share their experiences in creating and marketing new products and services.

The Wizard Of Wax

By Ben Fanton

Back in 1976, Andy Glanzman started making candles out of necessity. An elderly friend in western New York needed looking after, and Glanzman and his wife, Tina, moved in with him briefly to help out. The friend's old farmhouse lacked electricity, not to mention heat or running water.

Today, Glanzman is still making candles, hundreds of thousands of them that he sells to customers all over the world. But it's not likely that anyone is setting a match to any of his creations. Each candle made by his company, Northern Lights Candles, is a hand-sculpted, collectible work of art, signed by the craftsman who created it. Although they may be similar, no two are exactly alike.

"We have over 150 different designs," says Glanzman, formerly a professional rock guitarist, as he walks through his

small but rapidly expanding business in rural Wellsville, N.Y. The place is full of colorful wax wizards, dragons, unicorns, cats, bears, bunnies, pigs, penguins, and lots of Santas.

"We make a lot of Christmas items," he says as he passes several of his 140 employees putting the finishing touches on the Santas they've made. "We sell probably 75 percent of our annual production during the Christmas season."

The firm's candles retail from \$7.95 to \$125 each, with the majority priced around \$20.

Northern Lights now has gross sales of about \$4 million annually and sells wholesale to more than 2,000 retail stores. It

also operates 30 kiosks at Christmastime in shopping malls in Canada and the Northeastern United States and has agreements with 20 owner/operators who set up other mall kiosks throughout the U.S. and abroad.

Glanzman's first candles, purely functional, were made by repeatedly dipping wicks into melted wax. His interest, however, soon switched to sculpting. Through experimentation, he developed a formula for a special wax that had the right properties for hand forming. When he set up a table at a local craft fair and made \$250 in one weekend, he realized that he might be able to make a living with his creations.

"We started traveling to the biggest and best craft shows in the country," Glanzman says. "I was making them all myself at that time, and after a while, I just couldn't keep up with it. First of all, my hands were getting raw, and I knew

Every candle made by Andy Glanzman or his employees at Northern Lights Candles is a hand-sculpted collectible signed by its creator.



that I could sell a lot more than I could make."

The obvious solution was to hire employees and teach them how to create the candles, a choice that suited Glanzman's personality. "I get bored very easily," he says. "If I do something for a while, even if it's a money-generating proposition, I still want to get somebody else to do the actual production so I can move on to other things."

His most valuable role right now, he says, is "making a future for the company."

That future looks promising. In addition to his distribution network in the United States, the candles are sold overseas, in such countries as England, Italy, Australia, and Germany, and they are the No. 1 make of collectible candles sold in Japan. Northern Lights captured the

award for best gift import at the Tokyo International Gift Fair in 1990.

"It's quality, it's uniqueness, it's made in America, and it's cute," Glanzman, 40, says of his products' appeal to the Japanese. "If you have those four things, you can sell anything in Japan."

Other keys to the success of Northern Lights Candles, according to Glanzman, are its marketing acumen and its emphasis on developing new products and maintaining low overhead—not even Glanzman has a private office in the company's crowded headquarters. "We put all our money into labor," he says.

Training for employees is extensive. According to Glanzman, some of the more intricate sculptures can take years to learn while even the simpler ones take months to master. On the up side, however, is flexibility. If one item isn't selling

well, the employees can just stop making it and switch to another.

Glanzman is quick to praise his staff. "I look at this place and [see] a lot of good people here," he says. "It's really the people here that make this happen."

There's one person in particular to whom he gives credit: his wife, Tina, who has been part of the operation since the bleak days of 1976 and serves as the company's controller. "I'm not financially oriented; I'm more in the creative area," Glanzman explains. "She's more down to earth, dollars and cents."

Upbeat about the company's prospects, Glanzman says, "I think we're going to have a really bright future." Then he adds: "No pun intended."

Ben Fanton is a free-lance writer in Wellsville, N.Y.

Bringing In The Jobs

By Sharon Nelton

There's economic development. Then there's "teleconomic development," a phrase coined by James Beatty, president of NCS International, in Omaha, Neb., to describe the business he's in: He uses telecommunications as a tool to spur economic development in such untapped markets as small cities and rural areas.

"I can honestly state that this is the work I was meant to do," says Beatty, 45.

A former employee of Northwestern Bell Telephone Co., which is now part of US West, Beatty went out on his own in 1982, at first starting a telemarketing company and then moving on to telecommunications consulting, helping businesses develop private networks and acquire equipment.

He changed direction again several years later when an executive with the privately owned Hamilton Telephone Co., in Aurora, Neb., called and asked if Beatty could use telecommunications to help bring jobs to Aurora, a town of about 3,800.

Beatty, who had attracted telecommunications and information-related businesses to Omaha in his last assignment with Northwestern Bell, said that he could. Over the next six months, he assisted Hamilton (now Hamilton Communications) in setting up a telemarketing subsidiary and helped it get a subcontract with a large, Omaha-based telemarketing firm that wanted to expand. The project initially created 100 jobs.

"That news spread like wildfire around



NCS International's Jim Beatty consults with Angela Morris of Aurora Telemarketing Inc., a telephone-company subsidiary he helped create.

Nebraska," Beatty says, "and I started getting call after call from communities saying, 'We'd like to have jobs. Can you help us get some of these telecommunications jobs?'"

Beatty's company, which employs six people, including himself, has since expanded its efforts well beyond Nebraska's borders, working to bring job-creating industries such as reservation centers and data-processing operations to places like Minot, N.D.; Bangor, Maine; and Madisonville, Ky. "We've had a very good success rate—70 to 75 percent of the time," Beatty says, "we've been able to bring jobs in when a community has contracted with us to do so."

Generally, NCS is hired by local, state, or regional economic-development organizations. It provides a variety of services, including devising strategies for attracting telecommunications and information-intensive companies to a community, and linking a community with companies interested in relocation or expansion.

NCS can also assist in the development of "tele-business centers"—mixed-use facilities of 10,000 to 15,000 square feet that offer, under one roof, such resources as telemarketing operations, videoconference rooms, distance-learning opportunities, and even telemedical examining rooms.

Beatty expects sales of \$1.5 million to \$2.5 million this year. And he's addressing the future aggressively, setting up joint ventures with other economic-development consulting groups and seeking investment for expansion. He recently secured \$150,000 from private investors and is looking for an additional \$300,000.

Born and raised in Chicago, Beatty wants to help with the economic development not only of rural America but also of the inner cities, and he sees similarities between the two. In both arenas, he says, the labor market is "vastly untapped," a willingness to work exists, and land is available.

Ultimately, Beatty is reaching for a global market, hence the company's just-completed name change to NCS International from National Consulting Systems, Inc.

A man who thrives on challenge, Beatty attended Doane College, in Crete, Neb., on a track scholarship and majored in math "because no one black at school had ever done that before." He also overcame shyness and became a lively public speaker.

A believer that one has to "turn everything into a plus," Beatty advises others to "work at releasing that genius in you. It's there."

COVER STORY

Combating Crime

By Dale D. Buss



In Pittsburgh's inner city, health workers who make home visits warn one another via fax about outbreaks of violence on their routes.

Employees of a hair salon in Irving, Texas, armed themselves with pepper spray and other self-defense weapons after hearing an anti-crime consultant's advice about dealing with assailants.

Business owners in the crime-infested City Heights neighborhood of San Diego

sparked a major controversy last year when they announced plans to plaster huge warnings on local billboards: "City Heights: Crime Capital of San Diego."

"We wanted to really wake up the neighborhood and say, 'Let's pull together and do something about our [crime] problems,'" says Dennis Presfield, owner of a local plumbing-supply company and a leader in devising a neighborhood crime-fighting strategy. "The billboard controversy got a lot of people focused," he adds, which in turn made it unnecessary to post the warnings.

After years of lurking in the shadows, crime has suddenly emerged as Public Worry No. 1. Following President Clinton's Jan. 25 State of the Union address, a CBS Television poll found that Americans ranked their biggest concerns as crime, 40 percent; health care, 33 percent; and the economy, 26 percent. A year ago, the No. 1 issue in most polls was the economy.

Overwhelming majorities in a *USA Today*/CNN/Gallup Poll late last year favored more police, stiffer criminal sentences, and higher bail for those

Dale D. Buss is a free-lance writer in Cedarburg, Wis.

Owners of small companies are seizing the initiative to prevent criminal threats to their businesses and communities.



PHOTO: T. MICHAEL KEZIA



their homes before crime and its consequences make constant prisoners of them all.

In a way, the timing of this grass-roots movement against crime is curious. After growing 41 percent through the 1980s, the number of violent crimes in 1992 rose by only 1.1 percent over the number for 1991, according to the latest figures released by FBI. Murders actually dropped by 3.8 percent. Experts cite demographics: The number of American males in the 16-to-25 age bracket—by far the most criminally active age group—is declining.

Nevertheless, fear of crime seems to be at an all-time high. Freeh attributes much of that to the spreading presence of higher-profile youth gangs. News-media fascination with sensationalistic crimes is

From the rooftop, security guard Joe Denigris surveys parking lots at the Connecticut Post Mall, in Milford.

another often-mentioned factor. And some experts cite the increasing intrusion of violence into the workplace.

An estimated 2.2 million Americans were physically attacked at work in 1992, an additional 6.3 million were threatened, and 16 million were harassed, according to a recent national survey sponsored by Northwestern National Life Insurance Co., of Minneapolis.

The survey also found that customers were twice as likely to commit acts of physical violence (44 percent of all attacks) as were strangers (24 percent) or co-workers (20 percent).

"We like to think that the workplace is safe and that hostile behavior is random and rare," says Peggy Lawless, the survey's project director. "The reality is that violence in America is spilling out of the back streets and into the workplace."

Homicide has become the third-most-prevalent cause of death in the U.S. workplace, after on-the-job automobile accidents and machinery-related accidents, according to the National Institute for Occupational Safety and

Health. The institute reports that violence took the lives of 730 people on the job nationwide in 1992.

In the New York City metropolitan area, 119 people were murdered at work in 1992, representing nearly half of all deaths on the job in the region—a far higher percentage than in any other urban area. Most of the homicide victims were taxi drivers or workers at small grocery stores, gasoline stations, or fast-food restaurants, according to the U.S. Bureau of Labor Statistics.

Not only does crime tear the nation's social fabric, it takes a huge toll on the economy. Estimates of the annual cost of crime are as high as \$425 billion, including everything from the cost of imprisonment, to spending on private security, to income lost because of fear of crime. The potential impact of the fear factor is seen in the revenue loss by the Florida tourism industry following the murders of foreign tourists there last year.

The cost of treating a crime-related physical injury averages \$41,000, and all the injury-causing crimes that occur in a year in this country ultimately cost \$202 billion in medical fees, psychological costs, and productivity losses over the victims' lifetimes, says a new study by researchers from the University of California at San Francisco and the National Public Services Research Institute, in Landover, Md. It was the largest study ever conducted of the economic toll of crime on society.

One manifestation of the cost of crime is the sharp rise in so-called premises-liability lawsuits, in which victims of violent crimes sue the owner of the business where the attack occurred. Over the past five years these cases have doubled, to about 1,000 a year, says Liability Consultants Inc., a security-consulting firm in Framingham, Mass.

Increasingly, policy-makers, starting with President Clinton, are catching on to the rising public anxiety about crime. "Violent crime and the fear it provokes are crippling our society, limiting personal freedom and fraying the ties that

charged with committing violent crimes.

"The people of this country are fed up with crime," FBI Director Louis J. Freeh said at a National Press Club luncheon in Washington in December. "The media report it, statistics reflect it, polls prove it."

Just as quickly as crime shoves its way to the forefront of the nation's public worries, America is shoving back. Led in large part by rank-and-file owners of small and medium-sized businesses, citizens are making efforts to regain control of their shops, their streets, and

COVER STORY



PHOTO: JAMES R. FULTON JR.

A learning experience: Susan Miller of Citizens Against Crime gives Lars Wilder, manager of Sparks Hair Designers, in Irving, Texas, a lesson in self-defense.

bind us," Clinton said during his State of the Union address in January. He urged Congress to enact a tough crime bill without delay, including provisions to put 100,000 more police officers on the streets and to adopt the so-called three-strike rule requiring life imprisonment for offenders convicted of a third violent crime under federal law.

Big-city mayors, though facing fiscal restraints, are coming up with gun buyback plans and ways to hire more cops. Governors in several states—including California, Wisconsin, Michigan, New York, and Virginia—recently have proposed sweeping anti-crime initiatives. As many as 30 states are expected to consider the "three-strike" penalty this year. Its general adoption by the states would affect substantially more violent criminals than a federal rule would.

North Carolina's legislature held an emergency session on crime in February as a response to pressure initially generated by a statewide small-business group called Merchants and Citizens Against Crime. The agenda: keeping violent criminals locked up longer, making the criminal-justice system more efficient, and deterring youngsters from crime.

Indeed, America's business people are fighting back. And at their best, they're counterpunching collectively:

■ After the National Association of Convenience Stores launched a massive self-help campaign, convenience-store robberies dropped by 11 percent in 1992, according to the latest available figures.

The association has campaigned to get its members to take numerous precautions. They include limiting available cash; increasing visibility within and from outside a store by using low shelves and keeping window posters to a minimum; improving lighting; eliminating pay phones so that would-be thieves can't use them as posts to case the premises; and training employees to be assertive with customers and otherwise appear to be in control of the store but to be compliant if a robbery takes place.

In Gainesville, Fla., Davis Rembert, owner and chairman of Sprint Food Stores, has sited his nine convenience stores only on corners with lots of auto traffic.

Another big deterrent to criminals, he says, is the presence of two clerks at all times.

■ In San Diego's City Heights neighborhood, business owners and other community leaders have been working with the police and city officials for several months on ways to stem a rising tide of violent crime and the resulting abandonment of commercial property. In April, the City Heights Partnership plans to hold a "summit" on crime and economics.

"We want to get the bureaucrats into this community and have them spend a night here just to see what goes on," says Presfield, the plumbing-supply wholesaler who chairs the partnership. Presfield has installed a barbed-wire fence around his firm's parking lot and has put up flood lights to ward off nighttime intruders.

■ In Pittsburgh, a driver delivering intravenous medications for Quantum Health Resources Inc. was dragged from his van by thugs and beaten up. Some of the company's nurses also have been threatened with assault.

As a result, Quantum has put unsafe areas identified by Zip codes off limits to its staff and is asking patients living in them to receive scheduled treatments at safer locations elsewhere. The company also has joined about three dozen other health-care providers in the inner city to set up a fax-phone hot line to report trouble spots, which may be put off limits until the problem eases.

"We cooperate with each other when we hear about trouble brewing," says Sue Burns, director of nursing for Personal Touch Inc., a home nursing service.

■ In North Carolina, Merchants and Citizens Against Crime has begun what may be the most successful grass-roots effort so far. Ed DeVito, founder and head of the organization, and his wife, Carol, owned a party-goods store in Forest Hills, N.Y., but left there several years ago after a run-in with an armed robber. They moved to Durham, N.C., because of the area's economic expansiveness and its reputation for low crime, and opened Le Coco's Restaurant. But by early last year, Le Coco's had been broken into three times, and neighboring businesses were getting hit as well. "I said, 'I'm not going to run away again,'" DeVito recalls. "So we decided to fight it."

First, he and fellow merchants discovered that Durham hadn't increased the size of its police force in five years. They lobbied until the City Council last year approved 38 more officers, a 22 percent addition to the force. DeVito also added a video surveillance system to Le Coco's. Crime eased in the neighborhood.

But DeVito wasn't satisfied. To vent his irritation over the state's early release of prisoners, he organized a motorcade of 100 cars that circled the governor's mansion last summer.

Other groups subsequently joined in the effort, and "before you know it hundreds of thousands of people were calling the governor," DeVito says. Finally Gov. Jim Hunt called a special legislative session to consider anti-crime measures. And now DeVito is running for county commissioner.

Business people don't need to storm the governor's mansion, however, to take effective measures against crime. Experts recommend the following:

Enhance security, and make it highly visible. Shopping mall managers are learning the importance of this. The

Should You Be Armed?

By John S. DeMott

Should small-business owners arm themselves against potential intruders?

It's probably a good idea, suggests Gary Kleck of Florida State University, a nationally recognized authority on the question.

Emphatically no, says Gerald Arenberg, executive director of the 11,000-member National Association of Chiefs of Police, in Miami.

Kleck, a criminology professor at the Tallahassee school, and fellow researcher Miriam DeLone of the University of Nebraska used data from the Justice Department's National Criminal Victimization Survey. They found that robbery victims with guns were less likely to be harmed than unarmed people.

Kleck and DeLone published their findings last year in Northeastern University's *Journal of Quantitative Criminology*. If storekeepers—or any other victims in a robbery—use their weapons in any way, “the victim is less likely to be hurt and less likely to lose property,” Kleck said in an interview.

It's not necessary for the weapon to be fired or even pointed at a robber, he says. But it is necessary to “make the presence of the weapon known by saying things like ‘I’ve got a gun.’”

Kleck says also that most robberies in which guns are used involve “desperate circumstances” in which victims are more likely, for example, to be facing multiple robbers. “Despite all that,” Kleck says, “they still come out better than victims who use other forms of resistance.”

Arenberg, a police officer for 40 of his 65 years and author of *To Protect and Defend*, a book published by the police chiefs association, holds that storekeepers are better off unarmed. An armed robber is “not going to feel threatened,” Arenberg says. “Normally, he’ll just walk out with the loot.” For that reason, he says, it’s imprudent to dilute that power with a gun of your own, which could make the robber get nervous and start shooting.

For the same reason, a small-business person is less likely to be injured by a robber with a pistol than by one with a knife or blunt instrument, who is likely to feel less in command over the storekeeper, according to Arenberg.

In deciding whether to keep a gun on business premises, the owner needs to address the question of potential liability. The U.S. Supreme Court has strictly proscribed when deadly force is justified.

It's effectively limited to situations when your life or the lives of others are in direct mortal danger, not when the thief is fleeing the scene of a crime.

In a civil suit against the New York City transit authority that began in the mid-1980s, a New York Supreme Court jury awarded over \$4.3 million to a mugger who had been shot in the back



PHOTO: T. MICHAEL REZA

Whether a gun belongs behind the counter is a question on which experts' opinions vary.

and paralyzed in 1984 by a transit police officer after having attacked and beaten an elderly man. The jury found that the deadly force of gunfire was not justified. That judgment was appealed by the transit authority and reached the U.S. Supreme Court, which last December refused to review it. (The elderly victim, now living in New Jersey, is suing his assailant.)

Although Arenberg opposes keeping firearms in a place of business for defense, he recognizes the widespread disagreement with that position. “Almost every [businessperson] I know has a firearm in his place of business or in his car,” he says. The police veteran agrees that “it’s an individual decision.”

A business owner who decides to be armed must also know the risks, Arenberg says. He cites the example of an owner who shoots a teenager holding up the store with what later proves to have been a realistic looking plastic gun. “Now you’ve shot a 16-year-old who had a toy gun,” he says. You may not face criminal prosecution, but you may be sued by the teenager’s family, and if you lose, it probably will cost you plenty. “You’ll go through hell.”

Arenberg offers this basic advice to individuals making that decision: “The only purpose of a gun is to kill. If you’re willing as a businessperson to take a human life, and know the consequences of the act, then fine. Buy a gun. Know how to use it. Know what state law is.”

Wyoming Valley Mall in Wilkes-Barre, Pa., recently opened a police substation on-site.

The Martinsburg Mall, in Martinsburg, W.Va., added security guards who patrol parking lots by bike.

At the Patrick Henry Mall in Newport News, Va., a security guard stationed on the roof uses night-vision binoculars and is in radio contact with the ground-based parking-lot security force and the local police.

And in the Connecticut Post Mall, in Milford, Conn., security officers from time to time walk the premises, very obviously holding a video camera. “It makes people aware they’re being watched, which makes them more scrupulous,” says Dinis Dias, the general manager. “And legitimate customers have nothing to worry about. They actually feel a little safer.”

“People are getting more and more involved and aren’t afraid to tell a security officer when they’re seeing things happen, even shoplifting. They’re taking a stand and drawing together.”

Have more than one employee on the premises. “Very few crimes occur when there are lots of people around and business is going on,” says Jerry Aris, founder of Citizens Against Crime, an Allen, Texas, company that offers crime-prevention seminars. “They only occur when people physically leave the business.”

Convenience-store robberies fell by 80 percent—from 61 in 1986 to 11 in 1992—in Gainesville, Fla., after the city enacted an ordinance in 1987 to make such stores safer. The ordinance requires two clerks on duty between 8 p.m. and 4 a.m., well-lighted parking lots, safes that employees cannot open, a limit of \$50 in the cash register, and an unobstructed view into the store.

The city’s ordinance has worked so well that it has become the basis for state laws in Florida and Virginia, and more than 260 communities nationwide have requested copies for study.

Various types of security devices also can help. (See the box on Page 20.)

Offer employees training in self-defense. Citizens Against Crime’s hour-long sessions are attended by about 15,000 people each week through 50 franchises nationwide. The classes offer advice ranging from keeping purses and packages out of view in cars to yelling, “I’m being attacked, call 911,” when under assault. The trainers also sell personal-safety products at the end of the program.

Cut your liability risks. Liability Consultants studied 197 lawsuits filed from 1983 to 1992 by victims of violent crime who accused business or property

COVER STORY

owners of providing inadequate security. In the cases that went to trial, jury verdicts averaged \$2.2 million for wrongful deaths, \$1.8 million for rapes, \$1.2 million for assaults, and \$700,000 for robberies.

Business owners should think broadly about their potential crime-related liabilities. They can be found liable simply if they could have foreseen the possibility of a crime. (See the box on Page 24.)

For example, consider whether a travel risk exists for an employee going to or coming from work. A Louisiana appeals court recently affirmed a workers' compensation award to a security guard who was mugged while walking from a public bus stop to his job at a bakery.

And a Maryland appeals court ruled recently that business owners and employees must come to the aid of customers being assaulted if they themselves are in no danger. The ruling stemmed from a beating suffered by an individual in the parking lot of a convenience store. The victim sued the parent company because the store's clerk didn't come to his help when called.

Be proactive. Despite rising teen-age crime in Las Vegas, Richard Crawford has been highly successful in warding off crime from his dozen convenience stores. He is part of a local Crimestoppers group, an international organization of private citizens that works with police departments to offer rewards for crimes. His stores are brightly lit.

Crawford has also eliminated video games and other lures to youths. "We encourage them to keep moving," Crawford says. "We are not a neighborhood social hall. We're a retail place of business."

All the concern about criminal acts by outsiders can overshadow another important type of workplace violence—assaults by one employee against another.

"Violence specifically directed against employers or former employers is the

fastest-growing category of workplace violence [nationwide], and homicides in that category have doubled or possibly tripled since 1989," according to a recent report by Joseph Kinney of the National Safe Workplace Institute, in Chicago, and

Dennis L. Johnson of Behavior Analysis & Consultants, in Stuart, Fla.

A recent survey by the Society for Human Resource Management, a trade association based in Alexandria, Va., found that more than one-third of human-resources professionals responding were aware of one or more acts of violence occurring in their workplaces since 1989, and more than 80 percent

of those incidents had occurred since 1991.

More than 54 percent of the reported incidents were committed by one employee against another.

Employers should respond quickly to employees' concerns about their safety.

—Peggy Lawless, Northwestern National Life

Improving Your Security

By Armin Brott

No matter what you may see on television, the most likely way a criminal will enter your place of business is through a door—whether you're there or not. Consequently, that's the first place to start improving your security.

Locks

"The best—and easiest—thing you can do to prevent crime is to invest in a good-quality, high-security cylinder lock," says Ronald Reed, owner of Reed Brothers Security, in Oakland, Calif.

Among the manufacturers that sell good locks is Medeco; its locks are known for their resistance to picking, drilling, kicking, and other forms of attack. Medeco locks, which run from \$100 to \$140, also come with a feature most other manufacturers don't offer: key control. Medeco's keys can be duplicated only on specially designed machines—not available at the corner hardware store—and only with the lock owner's authorization.

The best lock in the world will do little good, however, if your door is inferior. Officer Geoffrey Katz of the Berkeley, Calif., police department says he has seen many a hollow or particle-board door

kicked in by burglars—with fancy locks still locked. So make sure that you've got a solid wood or metal door.

Deadbolts are good for reducing after-hours theft. But what about controlling

as the Trilog DL2500 (which runs from \$360 to \$415), feature an electronic keypad with 29 million possible combinations. Employees, however, are still allowed quick entry. Others, such as the Aiphone Video Sentry Series (\$600 to \$1,500), include a compact video camera and monitor that provides a clear picture of who is knocking at your door.

A word of caution: If you're considering an electronic door lock, be sure to check with your local fire department or zoning officials. If customers have to be buzzed out, you may be creating a fire hazard.

Controlling access and entry to your workplace will help you reduce your chances of becoming a crime statistic. But what can you do to protect yourself from people who may already be inside?

Safes

Your safe, not surprisingly, can be a prime target for thieves. "Opening a combination lock is so inconvenient and time-consuming that many employees—once they get the safe open—close the door but never bother to rescrumble the dial," says Rosemary Leonard, vice president of CSS, a safe manufacturer. This leaves the safe and your business's valuables vulnerable.

One way to alleviate this common oversight is to use an electronic keypad lock instead of a traditional combination dial. These locks use a six-digit code



Sentrol's SharpShooter, a passive infrared motion detector, senses body heat.

who comes and goes during the day? For daytime use, you might consider an electronic, remote-control lock that allows you to let in only those people you decide to admit.

Remote-control locks vary in shapes, sizes, and features. Many are easy to install; they use the same mounting holes as traditional cylinder locks. Some, such

Armin Brott is a free-lance writer in Berkeley, Calif.

To stem such violence, experts suggest, employers should:

Examine management practices. Conduct a companywide audit to assess the risk of workplace violence, says Mark Braverman, a consultant in Newton, Mass., who specializes in workplace violence. "What have you done about protecting people in the past?" is one question to be addressed, he says. "Are there people who seem at risk of becoming violent? When it comes to job security, do you have ways to make sure that people aren't responding to rumors and fears?"

Listen to employees. "It's important that employers respond immediately to employees' concerns about their safety from within and outside the organization," says researcher Lawless of Northwestern National Life.

In addition to reassuring employees and improving safety, such moves can cut liability.

Management must also make clear that a worker who makes a threat or



PHOTO: JAM STRATFORD-BLACK STAR

Restaurateur Ed DeVito of Durham, N.C., organized local businesses to fight crime.

gives another clear sign that violence may occur could be fired or face strict disciplinary action.

Train managers to recognize the signs of a potentially violent person. A National Safe Workplace Institute study of 125 cases of violence leading to the deaths of employees, occurring from 1986 to 1993, found that in almost every instance the perpetrator was a male using a gun.

The study also found that the killer typically was preoccupied with weapons, was likely to be withdrawn in behavior, had a history of alcohol or drug abuse, suffered mental illnesses, tended to blame others for his problems, and had a history of violence toward women, children, or animals.

Be careful in hiring. Drug and psychological tests can go a long way toward weeding out potentially violent job candidates.

"The single best deterrent to violence in the workplace is not to hire [violent people] in the first place," says Michael

entered by pressing buttons.

Electronic keypad safes are available from several manufacturers, including CSS. Prices start at about \$400. If you already have a safe with a combination dial, you may be able to replace the dial with an electronic keypad; this retrofitting typically costs about \$300.

Video Surveillance Cameras

Another common and comparatively inexpensive device that can help you cut your theft losses is a closed-circuit TV system. A system like this can include one or more stationary or movable cameras. Some systems also allow for audio as well as video surveillance of your premises.

Ultrak's KO-1242CP Surveillance System, for example, includes an easy-to-mount video camera with audio transmission capability and a 12-inch black-and-white monitor. This system can be easily expanded to accommodate up to four cameras. Prices start at \$600.

Instead of purchasing the individual components one at a time, it may be easier and less expensive to purchase an alarm system. Complete systems, which can be purchased for as little as \$1,000, offer protection for doors and windows and may include other

interesting features as well. Here are some of the most common ones:

Heat And Motion Detectors

Infrared detectors can monitor a room for changes in motion, heat, or both, and can trigger an alarm when such changes occur. An increase in heat signals the entrance of a warm body into the monitored area.

Heat-sensitive lights, which come on automatically when a body is detected, are also available.

Neither type of detector would be particularly effective, of course, if you have animals such as cats or dogs wandering around after you lock up. More sensitive (and more expensive) models can be set to reduce the chance that the office pet will set off the alarm.

Increased lighting either with or without motion detectors is probably the most effective deterrent to would-be criminal assaults on you and your employees.

Installing more lighting may also save you money in other, unexpected ways. In the unfortunate event that an employee is assaulted on company premises, he or she is probably less likely to sue you (or at least win) if you take reasonable safety precautions.

Glass Break Detectors

These highly sensitive devices are set to detect the sound frequency of breaking glass. Unfortunately, a bottle hitting the sidewalk outside your store could set off the alarm as well. "Dual technology" glass-break detectors also detect the low-frequency vibration of the impact of an



The ShatterPro, from Sentrol, detects the sound of breaking glass.

object against a window, thereby reducing the chance of false alarms from breaking dishes.

Before installing an alarm system or purchasing any business-security equipment, check with your insurance agent. You may be able to qualify for substantial premium discounts, but you may have to install a specific type of system.

In addition, it's important to keep it simple. The best security system available isn't worth a nickel if it's too complicated to use.



An Alphone system: door camera, left, and inside monitor.

COVER STORY



PHOTO: STEVE SOBOL—BLACK STAR

Visible surveillance by security guard John Aquino at the Connecticut Post Mall is aimed at deterring thieves.

Mantell, a San Diego clinical psychologist who spoke at a recent U.S. Postal Service symposium in Washington on workplace violence.

Be just as careful in firing. Disgruntled former employees have made headlines in recent years when they went on shooting rampages at their former workplace.

For example, just after closing time last Dec. 14, a former employee walked into a pizza restaurant in Aurora, Colo., shot and killed four employees, and critically wounded a fifth.

Although such incidents are rare, they nonetheless have added an edge of fear to

the unpleasant business of employee discipline and termination.

Dismissing workers has become common as companies restructure and downsize. To former employees, it's not just the loss of a job that may induce stress and provoke violence but also the subsequent difficulties in finding new employment.

Think twice about firing workers swiftly. Such action can seem cold-hearted to those who are asked to leave and can undermine the morale of the remaining employees. "To come in with an ax can only aggravate it," says Daniel W. Hardy, president and chief executive officer of the Isaac Ray Center, a

Chicago-based forensic behavioral sciences research group.

And recognize the immediate effects that slimming down can have on your employees' security. "With cutbacks, people are taking all sorts of chances, so you've got more people leaving offices and shops late at night by themselves, making deposits, and getting held up," Braverman says. "That's the kind of thing people tend not to pay attention to because they're so wrapped up in productivity and meeting deadlines these days."

In many ways, fighting crime causes owners to rethink the way they do business. Odell McGowan owns three McDonald's in central St. Louis and has tried to avoid the area's crime problems for several years. He carefully screens job applicants, and, for workers' own safety, he forbids his 120 employees from wearing red or blue—colors of the local chapters of the Crips and Bloods street gangs.

Recently, McGowan began closing his indoor seating areas in the evenings and catering only to drive-through customers. "The safety of my kids, and other employees, is most important, and so far I've opted to do things this way," says McGowan, a former Internal Revenue Service criminal investigator. "But it hurts to hear something like I did the other day, about a customer [who] had come to one of my stores at 6 p.m. and found the doors locked—and decided to go to another McDonald's quite a distance away."

Fred Thomas, chief of police in Washington, D.C., angered many merchants in high-crime areas of the city late last year when he recommended that they "give up a few dollars" and close



PHOTO: SEBASTIAN GOLDEN

Manager Christine Jarosz worries about the safety of the home-delivery drivers who work for Quantum Health Resources, in Pittsburgh.



“Who’s got time to plan?”

“Truth is, I’m busy enough just building this business—the future seems so far off.

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COVER STORY

early to help police have an "impact" on crime. Thomas made the comment following a series of violent crimes against Korean shop owners in inner-city neighborhoods.

But Korean shop owners called the chief's suggestion defeatist.

"The problem is that D.C.'s police officers can't control the crime," says Douglas Kim, president of the Korean-American Chamber of Commerce of Greater Washington.

The organization continues to lobby police and politicians for more foot patrols and the hiring of bilingual officers. Kim is encouraging the group's 2,000 members to install bullet-proof glass and take other security measures.

Kim is now producing a crime-prevention video in Korean; it will run 20 to 30 minutes. He plans to distribute 1,000 copies. "We have to educate [merchants] so they know what they're supposed to do," he says.

Like Kim, some others see a glimmer of hope amid the frustration. "The fact that Americans are fed up with crime can actually provide us with a source of strength," says FBI Director Freeh. "It can energize this great country and people and enable our citizens to take back the streets, their neighborhoods, their towns, their cities."



To order reprints of this article, see Page 73.

Crime Insurance: Protect People First

By John S. DeMott

When it came to theft insurance, the jewelry store's owners gambled—and lost.

In the dead of night last fall in a Washington, D.C., suburb, thieves broke a hole in the store's brick wall, disabled an alarm and surveillance cameras, and sawed around a lock in quarter-inch steel plate to get into the safe. Their estimated haul was almost the store's entire inventory: \$1 million in jewelry and gold metal.

The store struggled to rebuild its inventory and hang on through the holiday season and into 1994. Says the owner, who asked not to be identified: "We're still open, but we don't know what we're going to do."

Because it would have cost an estimated \$50,000 a year for the business to have theft insurance, the owner had decided the price was too high and did not buy the coverage. Now he says he's committed to buying insurance, though the price still troubles him.

The owner of the burglarized store is not alone in finding what is loosely labeled as "crime insurance" too costly. For the very small businesses that are most subject to crime, the price of truly adequate or relevant insurance protection against criminals, particularly violent ones, can be prohibitive.

And with very small businesses, the issue is not so much the dollars in the cash register but the physical safety of the proprietor and employees.

For this reason, small-business owners should focus more on protecting against possible injury during a violent robbery, says Bill Gilmartin, a senior vice president with Riggs, Michaels, Counselman & Downes, a major Baltimore insurance broker. He offers two suggestions:

■ Buy workers' compensation insurance for yourself and your employees, even if state law exempts you from buying it. Among other things,

workers' comp generally would pay the medical expenses of bona-fide employees injured during a robbery.

■ Be sure your health insurance covers your spouse if he or she occasionally works in your enterprise but does not have full employee status. In Indiana in 1992, an inner-city store was robbed and the owner's wife was shot, but the insurance carrier claimed that only the proprietor was covered by his medical policy. After struggling for life for a month, the owner's wife died, and the proprietor was left with tens of thousands of dollars in medical bills.

To help protect against losses of property and money, most major carriers automatically add limited crime-insurance coverage to the store owner's standard business owner's policy, which covers liability and casualty losses. There are two popular forms:

■ Protection against employee dishonesty, usually for amounts up to \$10,000 or \$20,000.

■ Protection against theft of cash, both from the store or in transit to a bank, generally for amounts of no more than a few thousand dollars.

Insurance experts still advise business owners to consider purchasing crime insurance that goes beyond the standard owners' policy. Says Gilmartin: "There's an old axiom in risk management that

says, 'Don't risk a lot for a little.' If you've got \$1 million to \$2 million to \$3 million worth of inventory on the premises, as a jewelry store, you really have to think very hard about whether \$50,000 is a lot relative to what you have and could possibly lose."

Though it wouldn't have helped the burglarized jewelry store much, with its inventory running in excess of \$1 million, the federal government's 23-year-old crime-insurance program offers a low-cost option. Run by the Federal Emergency Management Agency, the program sells a maximum of \$15,000 of insurance against burglary, defined as unoccupied premises that are broken into, and robbery, when the shopkeeper is present. It's a type of

coverage that mainstream carriers have not found profitable to offer.

The federal program's rates depend on gross receipts and the sophistication of security features such as alarms and safes; location is not a consideration.

The insurance is available only in states where crime rates exceed levels established for the program. Those places currently are California, Florida, Illinois, Kansas, Maryland, New Jersey, New York, Pennsylvania, Tennessee, the District of Columbia, and

Puerto Rico. For more information, call 1-800-638-8780.

Whether you decide to insure against theft, or physical harm, or both, experts advise that the time to act is before crime becomes more than a story on the evening news or before a criminal breaks in your front door.



PHOTO: GUYMON BURWELL—POLICE, INC.

Crime Insurance: One axiom says, "Don't risk a lot for a little."

BENEFITS

Pension Options For Small Firms

By Mary Rowland

A couple of years ago, Bruce Shaeffer eliminated his company pension plan because it involved too much red tape. "I dropped it on the advice of our accountants, who said it was too expensive and cumbersome to be worthwhile," says Shaeffer, who employs two people at Shaeffer & Associates, a public-relations firm in Philadelphia.

Traditional pension plans like the one Shaeffer had, which are called defined-benefit plans because they obligate the employer to pay a fixed amount to retirees, not only are costly and difficult to administer but also have come under increasing scrutiny from the Internal Revenue Service.

So it's not surprising that many small-business owners are dropping such plans. Yet, like Shaeffer, most of these entrepreneurs want to put away retirement money for themselves and their employees. And fortunately, there are four workable and fairly inexpensive ways for them to do so.

Shaeffer selected the easiest one. He set up a simplified employee pension plan, or SEP plan, last December.

The SEP Plan

For most small businesses, SEPs are the best starting place, according to Laura Tarbox, a financial planner who teaches retirement strategy at the University of California at Irvine. "I've been setting up more SEPs than anything else," she says. "You can do anything you want with an SEP."

An SEP plan is really just an individual retirement account (IRA) for each employee, including yourself. Such a plan may be established by the self-employed, partnerships, and corporations, including S corporations. The plan is entirely funded by the employer; nothing comes from the employees. Contributions are made to individual accounts, which are handled by financial institutions.

A no-load mutual fund is an ideal place to invest an SEP nest egg. Shaeffer chose a fund offered by the Vanguard Group, in Valley Forge, Pa. To open an account, you simply call Vanguard and ask for an SEP kit, which includes a form no harder to fill out than that required for an IRA. Many mutual-fund companies and banks have similar kits.

Employees decide which mutual fund they prefer and make their own investment decisions. The management fees, which are minimal, come directly from the employees' accounts. There is no cost to the employer.

Many fund companies waive fees altogether when the account reaches a certain

Four ways to help nest eggs grow for your employees—and yourself.

level. For example, at Vanguard, the fee is \$10 a year for accounts under \$5,000. Over \$5,000, there is no fee.

The employer can contribute up to 15 percent of pay to a maximum of \$22,500 for each employee. There are no annual IRS forms to file; there is no separate trust, and there is no trustee, making it a

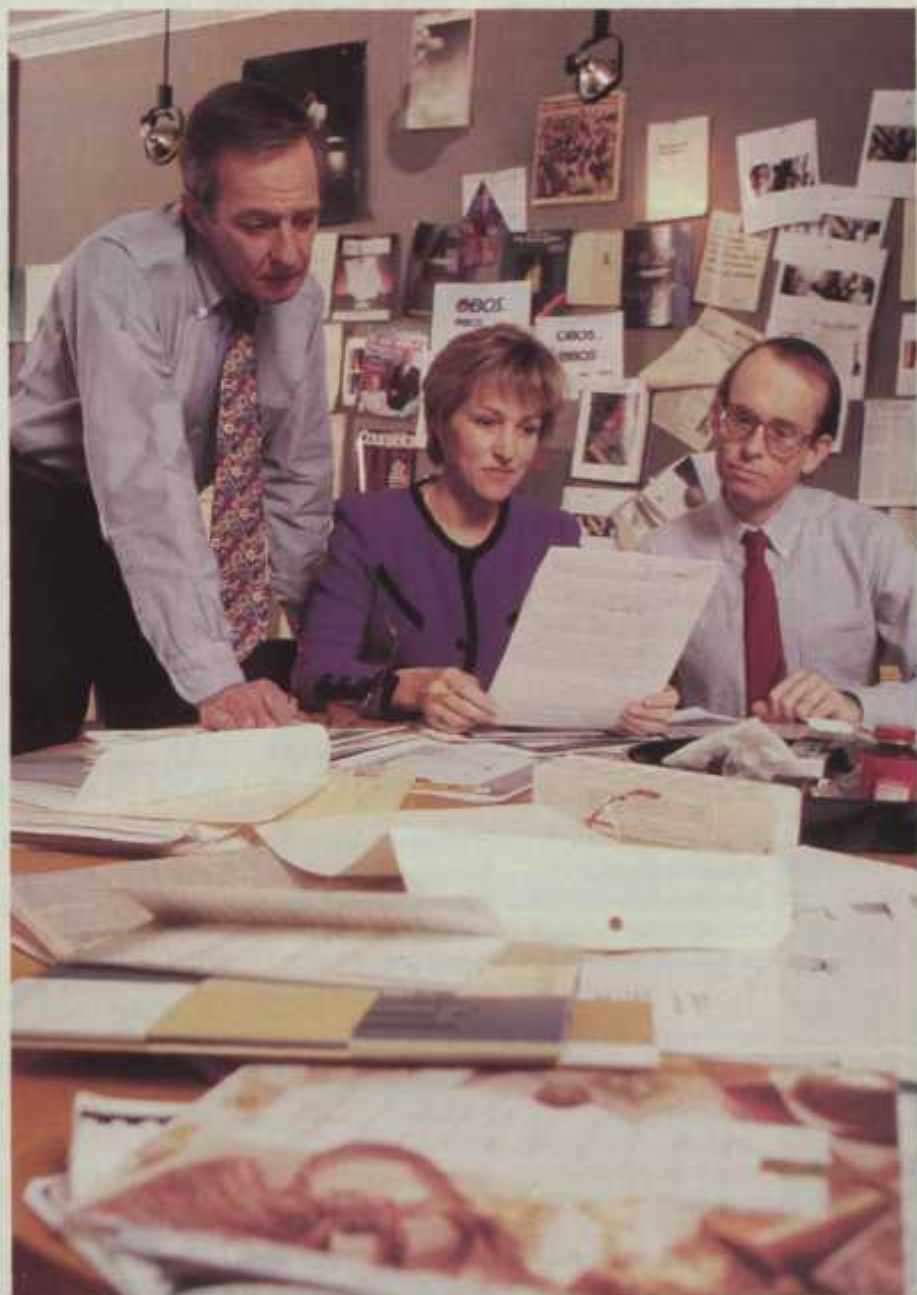


PHOTO: GAIL DIMARCO JR.—BLACK STAR

A simplified employee pension (SEP) plan covers small-firm owner Bruce Shaeffer, left, and employees Robin Lynch and John Shiffert Jr.

Mary Rowland writes a personal-finance column for the Sunday New York Times.

BENEFITS

truly hassle-free plan. "The SEP allows you to fill out a single government form and be done with it," says Alan Nadel, a partner in the New York office of the Arthur Andersen & Co. accounting firm.

Of course, there are downsides to an SEP. First, the employer must make contributions for each employee, including part-time workers who meet certain criteria.

Further, the contributions vest immediately. That means an employee can remove the money from his or her account at any time provided the worker pays income tax and a 10 percent penalty if he or she is under 59½. "Many small-business owners don't like that," Turbox says. "They want some handcuffs on their employees."

And, as with any stock or bond investment, there is no guarantee that the money will grow uninterrupted. If the

stock market takes a dive, the value of the SEP account will fall accordingly.

The SAR-SEP Plan

Moving up the scale of complexity is the next option, the SAR-SEP, or salary-reduction simplified employee pension plan. This plan, which was authorized by the Tax Reform Act of 1986, is a cross between an IRA and a 401(k) plan. It is available only to companies with no more than 25 employees. Unlike the SEP, this type of plan is funded entirely by employees.

In some instances, however, rules that govern contributions by higher-paid employees may require a business owner to make contributions for lower-paid employees who choose to put little or no money into the SAR-SEP.

This plan allows employees to contribute the same amount of pretax salary as a

401(k) plan allows. For 1994, that is \$9,240 or 15 percent of salary, whichever is less. As with a 401(k), the money comes out of salary before taxes, in effect "reducing" the salary for tax purposes. Contributions are made through regular payroll deductions.

The SAR-SEP is easy to set up and inexpensive to administer. There is no annual administrative cost for the employer, and there are no annual forms to be filed with the IRS. As with SEPs, most people choose to invest in mutual funds.

While no employer contribution is typically required with SAR-SEPs, you may set up a separate employer-funded SEP plan that allows you to provide a "match" to employee contributions.

Although employers like Shaeffer who are looking for the most basic plans may want to stop here, there are a couple of negatives common to both of these types of plans. In addition to the possible

Four Pension Plans For Small Business

Plan Name	Basic Description	Maximum Annual Contribution Per Employee*	Typical Cost To Start**	Annual Administrative Costs	Allows Vesting And Loans	Advantages And Drawbacks
Simplified Employee Pension (SEP)	Works like an IRA for each employee. Employer makes same percentage of salary contribution for each worker, but the percentage may vary from year to year.	15 percent of salary or \$22,500, whichever is less.	None	\$0 to \$500	No	No annual IRS forms to file. SEPs provide immediate vesting of contributions. Most part-time workers are eligible for contributions.
Salary-Reduction Simplified Employee Pension (SAR SEP)	As in a 401(k) plan, employees contribute pretax dollars to their own accounts, which in this case are IRAs. Employer may also contribute a percentage of salary to each worker.	Employee salary-reduction contribution may not exceed 15 percent of salary or \$9,240, whichever is less. Employer may contribute up to 15 percent of each employee's salary or up to \$22,500, whichever is less.	None	\$0 to \$1,000	No	No annual IRS forms to file, and employers aren't required to contribute. Administration is moderately complex. Can't be used by firms with more than 25 workers. Half of eligible workers are required to participate.
401(k)	Employees put pretax dollars into their accounts. Employers may contribute nothing, or match some or all of employee contribution.	Employee contributions may not exceed 15 percent of salary or \$9,240, whichever is less. Employer may contribute up to 15 percent of each employee's salary or \$22,500, whichever is less.	\$1,000 to \$4,500	\$1,500 to \$6,000	Yes	Permits hardship withdrawals. Administration is extremely complex. Requires strict compliance with government regulations. Rules limit contributions by highly paid employees.
Profit Sharing	Employer makes same percentage of salary contribution to each worker but may vary this percentage each year.	15 percent of salary or \$22,500, whichever is less.	\$0 to \$2,000	\$0 to \$2,000	Yes	Employers have maximum flexibility in deciding how much or even whether to contribute each year. Annual IRS filing is required.

* Total contributions from employer and employee to a defined-contribution plan may not exceed \$30,000 per year.

** Cost estimates are based on a company with 15 employees and \$1 million in annual sales. Figures assume plans contain no special features that could boost costs. All expenses may be paid by employer or passed along to plan participants.

SOURCE: T. FOWLER RICE

drawbacks noted above concerning SEPs, both the SEP and the SAR-SEP are subject to IRA rules rather than to pension plan rules. For example, no loans are available from the plans, and vesting is immediate. Employees do not have to work for six or seven years, as permitted by other plans, to gain full control over contributions.

Moreover, SEPs and SAR-SEPs are not off-limits to creditors in the event of bankruptcy. In June 1992, the Supreme Court ruled in *Patterson vs. Shumate* that only "qualified" plans, which are those meeting a variety of IRS and U.S. Labor Department guidelines, are protected from creditors during bankruptcy.

Because of this added protection, many small-business owners prefer qualified plans. One rapidly gaining in popularity is the 401(k) plan.

401(k) Plans

Many small businesses in the past avoided 401(k) plans because of the red tape and the cost involved in setting up and administering them. But mutual-fund companies are starting to go after this market, offering to do all the compliance work for a set fee.

If you have at least 10 employees, your company is big enough to consider a 401(k) plan.

Last year, T. Rowe Price, a Baltimore-based mutual-fund company, introduced what it calls the Century Plan, a 401(k) product for the small-business market. T. Rowe Price already had about 250 small-company 401(k) plans in place, but the company didn't think the products were working. Government regulations were increasing, and it was unclear whether the mutual-fund company or the small employer would be responsible for compliance.

So T. Rowe Price came up with a new, standard product that would fulfill basic needs: investment options, administration, communication to employees, and compliance with government requirements. It also allows small-company employees to get recorded information about their accounts—and also arrange loans—by phone.

The Century Plan does cost more than the previous plan, though. It has a base fee of \$1,600 a year plus \$23 per eligible employee, with a minimum of \$2,100, says Joseph P. Healy, vice president. It also

has a minimum start-up fee of about \$1,300.

But the extra fee may be worth it for some firms, as it was for Sound Diagnostic, an Everett, Wash., company that provides hospitals with both ultrasound systems and the technicians to operate them. The 27-employee company converted to the new plan in January 1993, says David S. Turner, the firm's manager. It will allow Sound Diagnostic to offer big-company features, including loan provisions and hardship withdrawals, a choice of several mutual funds, and daily switches from one fund to another.

Turner also likes the comfort of knowing that someone is checking to make certain that the plan meets all federal regulations. "If you do one thing wrong, you can invalidate the whole plan with the IRS," he says. "The extra cost is worth it for the assurance that we are following all the IRS guidelines."

Profit-Sharing Plans

Although they are neither the simplest nor the cheapest, profit-sharing plans are still the mainstay of qualified plans for small employers. Many employers cherish the ability to decide from year to year whether to make a contribution and how much to contribute based on the performance of the business. "Profit-sharing plans often win hands down because of the incredible flexibility," says Elizabeth Michel, an independent compensation consultant in Philadelphia.

For example, Al Nelson, managing partner at Amsterdam Dental Laboratory Inc., a seven-person manufacturer of dental prosthetics in Philadelphia, says his company looks at what is left in the kitty at the end of the year and earmarks a portion of it for the profit-sharing plan. "The whole idea is to give employees an incentive to work hard, use materials carefully, and turn a profit," Nelson says. If the company has a lean year, no money is allocated for the plan.

The maximum contribution for a profit-sharing plan is 15 percent of compensation

or \$22,500, whichever is less. A typical plan makes the same percentage contribution for each employee. It might cost \$2,500 in legal and actuarial fees to set one up and \$2,500 a year to administer it.

Before you choose one of these plans, there is one other wrinkle you should know about. You no doubt want to put as much as possible into the plan for yourself. Although you must treat your employees fairly under government regulations, that does not necessarily mean that you must contribute the same percentage of salary for them as you do for yourself. That's because the four pension plans described above permit larger percentage contributions for those employees who earn more than the Social Security wage base, which is \$60,600 for 1994. The reasoning goes like this: Social Security benefits will replace a larger percentage of the working wages of lower-paid employees than of the highly paid. Government regulations allow the pension formula to take this into consideration.

Employers must pay 6.2 percent of each worker's salary into Social Security up to the \$60,600 wage base for 1994. Regulations allow them to contribute an additional 5.7 percent of the salary between the wage base and the top compensation that can be considered for calculating pension benefits, which is \$150,000 for 1994, for higher-paid employees.

"What this formula does is recognize that the lower-paid workers will get more from Social Security, and the higher-paid workers are permitted to make that up with a higher pension contribution," says Bruce J. Temkin, an actuary at Louis Kravitz & Assoc. Inc., a benefits consulting firm in Encino, Calif. Using this formula, which is referred to as "Social Security integration," or "permitted disparity," can

make a big difference in pension contributions.

Retirement plans need not be expensive or complex. There is one to suit any small business, even a one-person shop. And with the tax-rate increases enacted last year, the argument for putting away pretax money became even more compelling. "It's one of the few places left to shelter some dollars," Shaeffer says. "We couldn't afford to pass it up."

"I've been setting up more simplified employee pension plans than anything else. You can do anything you want with an SEP."

—Laura Tarbox,
Financial Planner

"Profit-sharing plans often win hands down because of the incredible flexibility."

—Elizabeth Michel,
Consultant

MANAGING

Pay The Piper Only What's Due

By Randy Myers

For Robert Fields, discovering that his company had paid the same software bills twice had the ironic twist of a banker short on cash at the checkout counter.

Fields is president of Fields & Associates, a Burlingame, Calif., firm that audits accounts-payable records for other companies and splits any recovered overpayments with them.

The fact that Fields encountered that very problem at his own 20-person firm simply highlights the message he and other accounting specialists have been preaching for years: Businesses small and large routinely overpay for at least some portion of the goods and services they purchase, not by shopping at the wrong place but by inadvertently paying more than the price they and their vendors have agreed upon.

The reasons can be as simple as misplacing a comma. But typically the catalyst is less obvious: A retailer fails to take an available trade discount, for example, or a manufacturer pays both an invoice and a billing statement for the same merchandise.

"It all boils down to communication problems," says Howard Schultz of Howard Schultz & Associates, a Dallas-based auditing firm that recovers in excess of \$200 million a year for its clients. "Unless your company is so small that the same person who does the buying actually checks the goods in and then writes the check to pay for them, you're going to have a [communications] gap to bridge."

Specialists such as Fields and Schultz both agree that businesses of any size can identify likely sources of overpayment problems and the times when they're most likely to occur, and then take steps to correct or prevent them.

For example, "companies in the start-up mode and those in a growth mode are especially vulnerable, because much more attention is given to the marketing of the business, and the supporting staff plays catch-up," Schultz says.



ILLUSTRATION: WILLIAM COWLEY

Even companies too small to have a support staff aren't immune, though. George Berman launched Berman Associates, a public-relations firm, with his wife, Rachel, three years ago and established two local telephone accounts for his company—one at the fledgling firm's Yonkers, N.Y., office and another at his home.

Amid the pressures of launching the business, Berman inadvertently paid bills for both phone lines against the home-based account, overpaying it by hundreds of dollars and ringing up a comparable past-due bill on the other account.

Berman was forced to fork over the back-due payment for the office account and whittle down his credits on the other over the next few months, tying up precious capital that could have been put to better use elsewhere.

Experts say businesses should be particularly vigilant when the employee who normally pays the bills is absent for an illness or vacation, or when accounts-payable duties are turned over to a new person permanently.

Fields' own experience began with a cash-flow squeeze. In an effort to ride out the cash shortage, Fields & Associates instructed its accounting firm to withhold payment on several invoices for four weeks, but in the meantime the firm went ahead and approved those invoices for

These tips can help a small firm avoid paying too much—or too often.

payment. The bills were paid as planned after the four-week interlude, but so too were duplicate invoices that had come into the office as the cash crunch was winding down.

As Fields' experience shows, knowing when to be wary of overpayment problems doesn't do much good if procedures aren't in place to prevent them. Here are steps that any small business can take to head off overpayment problems before they happen:

- Always use purchase orders to buy goods or services, and make sure the person who pays invoices compares the terms of the two documents.

- Comply with vendor specifications for purchase orders to avoid confusion.

This is especially important for retailers who want to take advantage of the sometimes overwhelming array of special discounts offered by vendors.

- Have one person pay all invoices.


- Pay bills only against invoices, not against follow-up statements. Too often, statements overlook payments that have been made but not credited, inflating the actual amount due the vendor.

- Pay photocopied or duplicate invoices when an original has been lost, but only after double-checking the status of the account. "Many small companies tend to avoid the rigors and discipline necessary to do things right," says Fields, who now makes a conscious effort to sign off on all bills personally.

To get the best results, Fields advises, persuade all of the pertinent players to go along with any new bill-paying procedures from the outset. "People hate having things shoved down their throat," he says.

In general, accountants say, small businesses that review their accounts-payable records shouldn't expect to uncover a windfall. But given that the money saved by not overpaying bills falls directly to the bottom line, any time spent tightening up accounts-payable procedures is likely to be time well spent.

Randy Myers is a free-lance writer in Dover, Pa.



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EDUCATION

New Approaches To Education Reform

By Joan C. Szabo

When asked how Baltimore's Harlem Park Community School is faring since a private company assumed responsibility for operations, Assistant Principal Linda Carter points to marked improvement in attendance. For Harlem Park's 2,220 pupils in prekindergarten through eighth grade, the rate has risen to 98 percent from 90 percent last year. The 1992-93 attendance average for the city's elementary schools was about 92 percent, according to the Maryland Department of Education.

Lauren Boone, who has three children attending Harlem Park, says her 8-year-old was having trouble reading, but since Minneapolis-based Education Alternatives, Inc., took over, she says, her daughter's reading skills have improved a full grade level. "My children enjoy school more now, and they are more enthusiastic about schoolwork," she says.

The pupils have reason to be enthusiastic. Located in Baltimore's inner city, Harlem Park has contended with challenges familiar to the nation's urban areas: crumbling buildings, inadequate resources, flagging student achievement,

rising violence. In 1992, Baltimore City Public Schools agreed to pay Education Alternatives, a management and consulting company, \$28 million over five years to operate Harlem Park and eight other elementary schools for profit.

Since taking over in September 1992, the company has spruced up Harlem Park's halls, lockers, and classrooms with fresh paint; removed broken glass from the school yard; installed a security system; repaired the bathrooms and heating system; eliminated vermin; and added a state-of-the-art computer lab.

To improve day-to-day operations, the company hired Johnson Controls World Services to provide cleaning, maintenance, and repairs and brought in the accounting firm of KPMG Peat Marwick to help with financial matters.

Teachers and administrators, who have been trained in the educational program that the company has put in place, remain employees of the Baltimore school dis-

Steps that localities and states are taking to improve education include contracting with private firms to manage public schools.

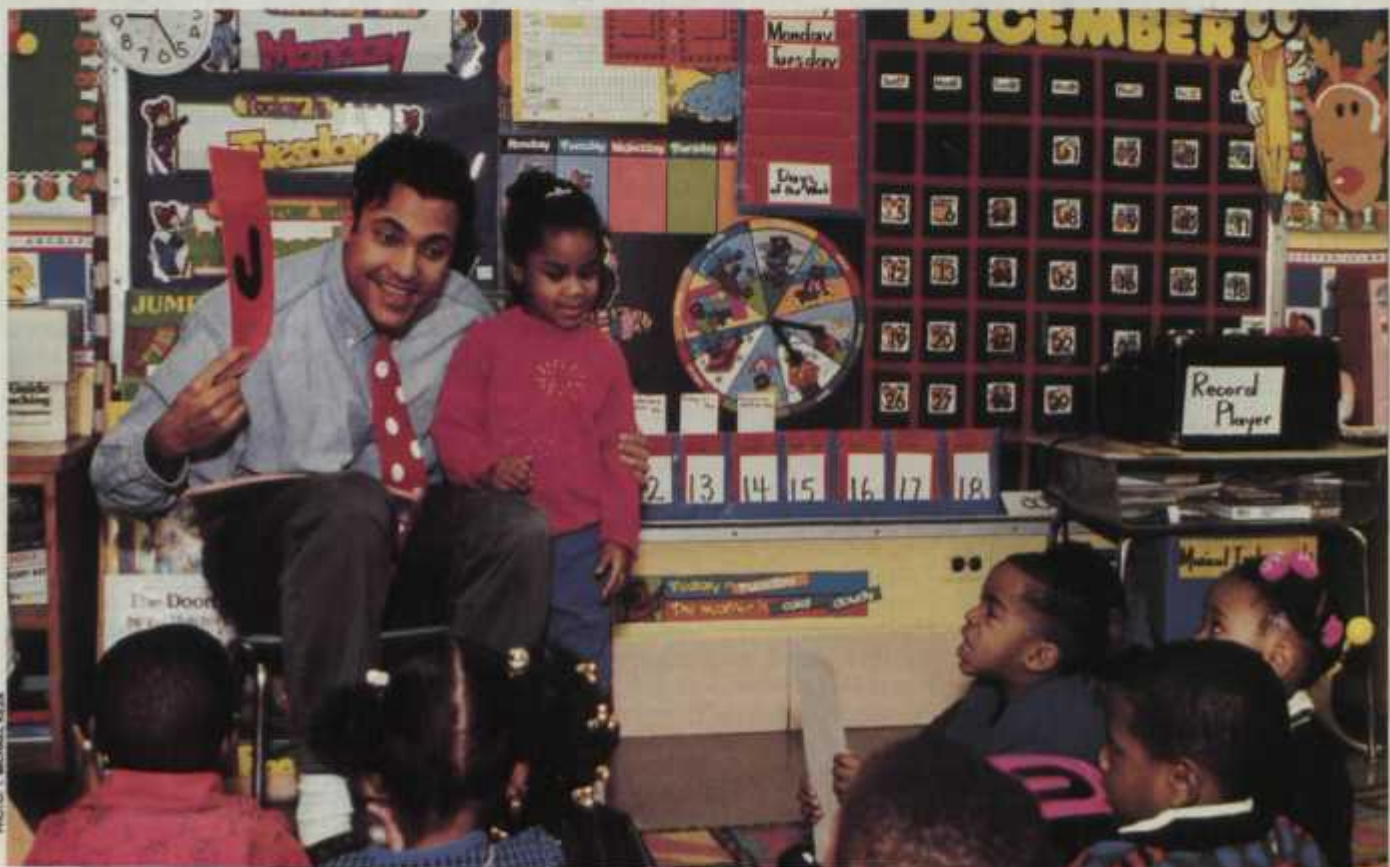
trict. The company has assigned 10 of its employees to an office in the Harlem Park school to oversee all nine schools.

A handful of other school systems across the country are moving toward nontraditional solutions to do a better job of preparing children for tomorrow's competitive, global marketplace, and they are turning to the private sector for help.

The relatively dismal performance of U.S. students warrants alarm. The U.S. Education Department last September reported that more than two-thirds of fourth-, eighth-, and 12th-graders were not "proficient" readers. And only 16 percent of fourth-graders, 8 percent of eighth-graders, and 9 percent of 12th-graders were able to solve and explain answers to problems that required understanding and applying mathematical principles and operations.

The challenge of reforming public education is becoming tougher, says Rexford Brown, a senior fellow at the Education

Instructional Intern Andre Gressieux, with help from Tomeika Sellers, captures the attention of prekindergarteners at Harlem Park Community School, in Baltimore.



Commission of the States, in Denver, because interested parties realize that systemic reform is required. Simple or quick fixes are not working. Systemic reform involves transforming the education system itself—the curriculum, assessment, professional development, and financial management—so that all students benefit.

The need for a competitive, highly skilled work force has made education a key issue for government and business alike. "What we need to do is make school excellence a national priority in every school and in every classroom," Education Secretary Richard Riley told *Nation's Business*.

Boosting the educational attainment of students is vital if the country is to prepare future workers for the jobs evolving today, says Rae Nelson, director of the U.S. Chamber of Commerce's Center for Workforce Preparation. The center has spearheaded grass-roots education-reform efforts by mobilizing resources and assisting local chambers of commerce and other business leadership groups that want to foster reform.

In Baltimore, Education Alternatives receives \$5,918 a year for each child; that amount is the average expenditure per pupil throughout the school district. Education Alternatives must meet certain academic goals, including improvements in students' achievement in reading, math, and other subjects.

If the company is able to spend less than the average per-pupil expenditure, it keeps a percentage of that saving as its profit.

The changes have drawn opposition from the Baltimore Teachers Union, and some teachers have asked to be transferred out of Education Alternatives schools. A lawsuit filed by the union in Circuit Court challenges the legality of the city's contract with the company. The union claimed the contract violates Baltimore's charter, which the union claims requires that the city maintain control of public schools.

The concept of private operation of public schools has the qualified support of the Clinton administration. "If contracting out for services means better, more successful action going on in the classroom and money is gravitating toward the classroom where the teaching and learning is better, then it makes sense to look at that," Education Secretary Riley said in an interview. "But if it is some way for a company to make money and that is the purpose of it, that doesn't appeal to me from an educational standpoint."

The teachers in the Baltimore program are trained in the Tesseract teaching model, named after a term for travel to the fifth dimension in Madeleine L'Engle's popular children's science fiction book, *A Wrinkle in Time*.

"What we need to do is make school excellence a national priority in every school and in every classroom."

—Education Secretary

Richard Riley



The program places two teachers and at least four computers in every classroom in each of the nine privately run schools, increases spending on books and supplies, and creates individual education plans for every child. It finances these initiatives by spending less than the school system would on management, according to Frank Kuhar, Education Alternatives' chief financial officer.

Says David Bennet, the company's president and a former school superintendent: "We have created the possibility that somebody can go out of business if kids don't learn. We have created the missing element in public education, and that is accountability."

If the promised outcomes are not achieved, the city can cancel the contract at any time with 90 days' notice. Results of standardized tests of students' performance in reading and math won't be available until the end of the school year.

The company also operates a private school in Paradise Valley, Ariz., and one in Eagan, Minn., as well as a public elementary school in Dade County, Fla. All operate on the Tesseract model. Officials in the District of Columbia are considering a plan that would allow Educational

Alternatives to assume operation of 15 public schools.

A private Minneapolis company, Public Strategies Group Inc., has signed a contract to operate all of Minneapolis' public schools. Under the agreement, the company provides its services for a fee, which is paid only if the company meets negotiated student performance objectives. Any cost savings are reaped by the school district, not the company.

Business is helping to restructure public education in other ways as well. In Nebraska, for example, the Greater Omaha Chamber of Commerce has worked to help Omaha improve its schools, by offering mentoring, tutoring, and summer employment programs to students. The Omaha Chamber is also involved in a communitywide effort called Omaha 2000. The program is designed to achieve national education goals adopted in 1989 by President George Bush and the nation's governors.

A recent report issued by the Omaha 2000 Steering Committee showed improvement over the past year in six of 31 categories measured, says Connie Spellman, vice president for education with the

For More Information

Further information on education and training issues can be obtained through two new publications from the U.S. Chamber of Commerce's Center for Workforce Preparation. They are designed to provide useful information on effective approaches to achieving the nation's education goals:

■ **New Century Workers: Effective School-to-Work Transition Programs.** This publication is designed to guide community leaders through the process of establishing effective school-to-work transition programs. It highlights successful

chamber, corporate, and nonprofit school-to-work initiatives that provide essential skills to tomorrow's workers. The price is \$18.

■ **Year Four: Chamber of Commerce Programs to Achieve the National Education Goals.** The best examples of businesses pulling together to achieve educational excellence and effective reform are highlighted. The price is \$18.

Mail a check or money order to Publications Fulfillment, Center for Workforce Preparation, 1615 H Street, N.W., Washington, D.C. 20062-2000.

EDUCATION

Greater Omaha Chamber. The most marked improvement noted in the report was in the business community's effort to provide employee training programs as part of meeting Goal Five of the six national goals. That goal calls for every

property taxes as a means of funding public education, and it cut over \$6 billion in operating property taxes for public schools as of July 1, 1994.

Abolishing the property tax opened the door for the governor and the legislature

first case of a state's legislative and executive branches imposing such a sense of urgency on their education reform effort, without the courts forcing it upon them."

The Michigan legislature agreed to several education reform measures, including a higher standard for various academic core subjects such as math, science, and reading; a strengthening of preschool and at-risk student programs; and an alignment of assessment and testing.

On March 15, Michigan voters will decide whether to increase the sales tax to 6 cents from 4 cents and whether to reinstate some of the property tax to help finance public education. If the voters reject the sales-tax rise, the state will reinstate a portion of the property tax and raise both income and business taxes. Both proposals would restore some level of school property taxes that were eliminated in June.

Seven states—California, Colorado, Massachusetts, Minnesota, New Mexico, Georgia, and Wisconsin—have enacted legislation allowing for the establishment of charter schools—public schools that receive charters from the state to provide students with innovative education options. Some charter schools serve students with disciplinary or truancy problems; others are operated by private firms like Education Alternatives. Typically, charter schools enjoy flexibility and receive waivers from all regulations except those affecting the health, safety, or civil rights of students.

To help accelerate local reforms, the Clinton administration has proposed a package of legislative initiatives. Its Goals 2000: Educate America Act is the major vehicle for federal support of education reform.

That legislation, close to congressional passage in February, would codify the six national education goals and would set voluntary national standards. States would be responsible for creating incentives for schools to meet those standards.



Pupils in Michigan clustered with Gov. John Engler after he signed an education reform measure. Michigan voters will take further action in March.

adult to be literate and to possess the knowledge and skills necessary to compete in a global economy.

At the heart of attempts at education reform are the states, which by law have the major responsibility for public education. Any structural reform efforts, such as new methods of financing, must be implemented at the state level.

Michigan recently took a radical step toward overhauling public school financing and making the funding of rich and poor school districts more equitable. The Michigan legislature voted to abolish local

to focus on school restructuring. "In the past, the strategy was to nibble around the edges and not really accomplish much in the way of education reform," says James Sandy, director of education excellence with the Michigan Business Leaders for Education Excellence, of which the Michigan Chamber of Commerce is a member. "The funding crisis presented an opportunity to talk about reform and what the state wants in terms of education quality."

Says Brown of the Education Commission of the States: "This is perhaps the

What Businesses Can Do

There are many steps that business owners can take to encourage effective school reform. Here are some of the key ones:

- Clarify to policy-makers, parents, and the public the skills and standards your company expects of employees. "Business must begin to clearly articulate its needs and get that information to the schools," says Connie Spellman, vice president for education for the Greater Omaha Chamber of Commerce.

- Provide the schools with helpful re-

sources, such as management and training advice. Contribute materials, equipment, or meeting space to schools.

- Make equipment and technology available for the training of teachers and students.

- Encourage employees to run for school-board positions and be part of the governance of schools. "We need to continue to strengthen school boards with people who have broad interests and can represent the needs of a business community," says Spellman.

If the schools are going to help prepare young people for the work force, business input and support is critical, says Nelson of the U.S. Chamber's Center for Workforce Preparation. "Too many of the things business has done over the past 20 years have not made much of a difference," she says.

Brown, of the Education Commission of the States, says educational standards must be raised, funding must be linked to quality improvements, and bureaucracy must be scaled down to help bring about meaningful and systemic change.

According to Education Secretary Riley, business owners must emphasize to the schools and the community that "standards matter."

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Out On A Limb And On Their Own

By John S. DeMott

For some executives who start businesses, it's a downer. For others, it's the high of a lifetime.



Making the leap from employee to entrepreneur, convention planner Marcie Bannon is toasted by colleagues and friends at her farewell party.

Marcie Bannon and Andrea Olsen live on opposite sides of America and have never met, yet they have one powerful decision in common: After years of success as employees in their fields, they have chosen to leave their well-paying jobs and go into business for themselves.

For both, it's somewhat scary. And yet both say it's an opportunity to achieve what might be elusive in the comfortable universes of biweekly paychecks, predictable raises, colleagues to schmooze with, and company benefits.

Says Bannon, who until late 1993 was conference director for the National Association of Professional Insurance Agents, in a Virginia suburb of Washington, D.C.: "I wasn't being creative anymore, except in doing more with less. After a while, that becomes a little bit frustrating."

Says Olsen, a certified public accountant and, until November, a \$60,000-a-year consultant in San Francisco with the Coopers & Lybrand national accounting firm: "I felt I was getting stagnant. I want to get up in the morning and feel excited about what I'm doing."

Bannon, now a convention-planning consultant, and Olsen, who has a specialized accounting practice, made their career shifts voluntarily, just as many other executives go out on their own.

But as one large U.S. company after another "restructures" and eliminates hundreds or thousands of jobs, more executives than ever are being forced to

test their entrepreneurial mettle to meet mortgage payments, make the next semester's tuition payment for a son or daughter in college, stave off bankruptcy, or simply survive.

Whatever their motivation, the executives-turned-entrepreneurs agree on the biggest advantage in working for themselves: autonomy.

Nine years ago, Bob Schreiber left the Bell System and AT&T after 35 years. With two partners, he helped build BLS. The firm does wire and cable installation and offers telecommunications consulting and training. It now has three U.S. locations, a dozen full-time employees, and about \$2 million in sales. He says: "You can make your own decisions. There's no one to second-guess you upstairs. The opportunities are much greater than working for a large company."

Together with his wife, Jeanne, a BLS vice president, Schreiber conducts training sessions around the country in subjects he learned while with the Bell System, such as fiber optics, networks, and techniques of wiring. The company also consults with vendors of specialized equipment on how to sell to AT&T and other telecommunications companies.

Schreiber says he has succeeded because BLS's partners, one of whom has

retired, had "tremendous personal knowledge, and we were well-trained in that customer service is your No. 1 concern. And we had a network of vendors and manufacturers that we had dealt with at AT&T."

Nonetheless, entrepreneurship can be chancy. Most new small businesses last less than a year, and 87,000 start-ups failed in 1992 alone. What's more, a lot of newcomers to entrepreneurship decide it's not for them and try to return to larger companies. About one-fifth of the thousands of unsolicited résumés that pour into the Paul Ray Berndtson executive recruiting firm, in Fort Worth, Texas, are from people who classify themselves as "owner, entrepreneur, or consultant" and who want back into the corporate cocoon.

No such attitude is part of Marcie Bannon's thinking as she begins building her convention-consulting business in Alexandria, Va. Bannon started toying with the idea of going out on her own about two years ago and carefully began working out a plan to save money and retire some debts so she could feel free to make the break. "A lot of people look at this as 'leaping off,'" she says, "but it's not that at all."

Despite the meticulous preparation,

ENTERPRISE

she regards herself as a risk taker, one who "makes forward movement when you can't predict what the outcome will be."

After the insurance agents' convention in Hawaii in October, Bannon submitted her resignation to Donald K. Gardiner, the association's executive vice president, who accepted it with reluctance. "I told her to take it one step at a time," he says. "The danger is that you'll overload yourself. Pick the areas you do best. If you can niche, you can make a hell of a lot of money."

Bannon is beginning her entrepreneurial career with hardly more than the bare essentials: an office, a computer, a fax machine down the hall, and a modem given to her by association colleagues at a farewell party in December.

But her most important assets don't come from mail-order computer houses. They are her knowledge and savvy. She has 15 years' experience organizing conventions—35 of them—from Hartford to Honolulu, and about 200 smaller meetings in between. She regards herself as an expert in the intricate art of convention "scripting"—committing to paper in large volumes every minute of, say, a four-day convention, from the Sunday evening reception to the Tuesday banquet with a keynote speaker to the final "awards ceremony" luncheon on Wednesday.

Bannon hopes to capitalize on the fact



PHOTO: EDGEE WILSON-BLACK STAR

Training and consulting through his own firm, Bob Schreiber finds "there's no one to second-guess you."

that far-flung associations want to assemble members in conventions but have little taste for, or awareness of, the task—one of immense, grinding, and largely mundane detail. Most top executives have no idea how a convention is put together, nor do they really want to know.

At the same time, associations and other organizations are reducing staff sizes, and the person who puts the convention together is often one of the first to go. Says Bannon: "The details start barreling down, and it becomes crisis management, and suddenly they need help." So it's a good time, she figures, to make the jump to entrepreneurship.

For Andrea Olsen, whose office for now is in the home she shares with her husband, a graphic artist, near San Francisco, the decision was to

leave a job that almost certainly would have led to a Coopers & Lybrand partnership, she says, and go into a business that she feels is tuned to the times: accounting services for—who else—entrepreneurs.

But not just any entrepreneurs. Olsen's Entrepreneurial Accounting Resources is hunting for clients—and the Bay Area is peppered with them—in the software-development and biotech fields.

These business people are likely to be geniuses when it comes to applied science but indifferent or ill-informed when it comes to balance sheets and general financial planning. Says Dorothy Bauneck, whose Edison BioTechnology Center, in Cleveland, helps biomedical technology companies get started: "They usually don't have the business skills to fulfill the dream."

Says Olsen: "They ask questions like, 'You mean I can actually use tax-flow projections and figure out if I'm going to make payroll next month?' That's where they need most of the help. They need to get a financial statement together. They need to get a financial statement in place so they can obtain financing."

Now with three clients, Olsen isn't alone in her venture. She is in partnership with Steve Heller, whom she met at Coopers & Lybrand. One client came through a referral from Coopers & Lybrand; another came from the work they did for that client.

Cash investment has been "minimal"—\$3,000 each from Olsen and Heller. Equipment, too, is sparse: a desk, a telephone, a computer, and a fax machine.

Networking is Olsen's principal vehicle for getting business. She reads bioscience and software trade magazines for leads and makes telephone calls to the Bay Area Bioscience Center, a group that encourages sprouting companies. In addition, she makes lists of "everyone I know."

All executives who become entrepreneurs are going to run into the unexpected, and sometimes to them it's unexpected simply because they come from structured corporate backgrounds.

Bill Conway, for example, built a whole new career in helping U.S. companies cut waste and inefficiency as head of Conway Quality Inc., in Nashua, N.H. He started a decade ago after spending 30 years at the Nashua Corp., winding up as CEO of the company, which makes and applies coatings to products such as paper and metal.

During his first days in his new office, "you come to the realization that nobody's going to call. If you don't call them, if you don't write them, if you don't go see them, nothing's going to happen. Absolutely nothing."

Rule 1, perhaps, for making it out there, on your own.

Advice For The Ambitious

Here are some tips from executives who turned entrepreneur. These suggestions cannot guarantee success, of course, but ignoring them will almost certainly guarantee failure:

■ **Be willing to work.** If you're not, the finest ideas will founder. On the other hand, mediocre ideas will fail, too, no matter how hard you work. So work intelligently on the best ideas.

■ **Plan your salary and business expenses** for one to two years out, then increase your best estimate by 50 percent.

■ **It's best to sell information—your expertise—rather than things,** because selling information costs less to do and brings more profit. Things also require such tangible assets as warehouses, distribution systems, and forklift vehicles, which are expensive.

■ **Start with the least amount of money,** and try to make money fast. Go into

something where you know, beyond any reasonable doubt, that customers are going to pay you for what you have to sell.

■ **You will probably need a partner, or partners,** but choose them carefully. Be sure they fill the expertise gaps where you are weakest, and strongly consider their advice when it's merited. Ascertain that there is nothing in their behavior or background that could hurt you or your business.

■ **Talk to other successful entrepreneurs,** in and out of your field, and ask them the top five things they wish they had done differently.

■ **Never quit.** If it's a good idea and you keep working the system, you'll find the pathway to success. Jack Dempsey's advice is as appropriate to entrepreneurs now as when he was boxing's heavyweight champ in the 1920s: "The true champion is the one who can last one more round."

CORPORATE VISION, IT LOOKS GOOD FROM HERE...

Corporate vision is essential to bring companies to the edge of their potential. The achievement of vision is conditional on the quality of today's thinking, planning and action. Management content with incremental progress will lose out to clearer thinking, better planning and faster moving competitors. But organizations committing to the 'quantum leap' made possible by Evolution Management®, will be among tomorrow's winners. Evolution Management® offers

companies a method, already proven in many industries, for mastering tomorrow's business challenges.

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PROCESSES TO
BENEFIT BUSINESS"**



Dr. Marc van der Erve is a graduate cum laude, in applied physics and holds a doctorate in sociology. He is the author of four books, including Evolution Management, and is the creator of the Evolution Management system. For 20 years he worked in IT, in a variety of management roles. Marc van der Erve is currently associated with one of the world's largest consultancy firms.

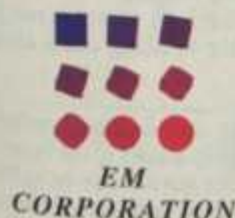


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Evolution Management® enables the necessary change in perception - within the context of today's realities.

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Or better still... Fax your business card and reserve a place at one of the workshops in the schedule listed below and indicating the preferred date. In addition, fill in your complete VISA, American Express, MasterCard or Diners card number and expiration date and sign for a \$50 reservation (which will be deducted from the workshop fee). In return, you'll receive a full information package on Evolution Management® workshops including demonstration EM disk and the complete workshop details.



EM WORKSHOP PROGRAM MAY 1994

San Francisco:	may 2 and 3,	may 12 and 13	may 23 and 24.
New York:	may 5 and 6,	may 16 and 17,	may 26 and 27.
Boston:	may 9 and 10,	may 19 and 20.	

Patents: A Stake In The Future

By Steven D. Glazer

Since 1790, the U.S. government has granted more than 5 million patents, some of which have brought fame and fortune to their owners. Sometimes the invention is a result of a long effort plagued with difficulties and setbacks, as in the case of Alexander Graham Bell. Or it can evolve serendipitously: A researcher working to develop an anti-ulcerative drug absentmindedly licks his fingers and discovers aspartame, which is now marketed as NutraSweet.

Whether the applicant is an individual or a major corporation, the procedure for obtaining and using a patent is the same.

That procedure is frequently misunderstood not only by the public in general but also by individuals who are seeking patents for their products or processes or are unsure of the extent to which they can use the work of others.

The key is awareness of what patents can and cannot do to protect inventors' rights regarding their discoveries.

Here are the basic points that business people, whether fledgling entrepreneurs or company managers, should be aware of in dealing with patents:

What Is A Patent?

Briefly, a U.S. patent gives its owner a limited monopoly to exclude others from making, using, or selling the patented invention. The right conferred by the patent grant extends throughout the United States and its territories and possessions.

A patent may be obtained on both the product and on the process used to make the product. The term of the patent is 17 years from the date the patent was granted. (Commissioner of Patents and Trademarks Bruce Lehman recently signed an agreement with Japan that provided for the introduction in

Congress of a bill that would change the term to 20 years from the date a patent's application is filed. The 20-year term is also a provision of the General Agreement on Tariffs and Trade.)

A patent does not give its owner a right to make a product incorporating both his or her own patented invention and the patented products or processes of others. Often, the end product may require the use of numerous components patented by others. For example, someone who obtains a patent on a new circuit design for electronic fuel injection would not neces-

Obtaining a patent is a rigorous process that is often misunderstood. Here is how you can protect your intellectual property.

sarily be able to build an engine containing the invention because, in doing so, he might infringe on someone else's patented invention, such as the semiconductor chips needed in the new circuit.

Once obtained, a patent is a powerful legal instrument, providing its owner with a number of rights enforceable in federal court. For instance, a patent owner is entitled to at least a reasonable royalty (plus interest) from infringers using the invention without his or her permission.

And, if the infringer refuses to pay, the owner may enjoin (that is, shut down) all unauthorized use of the invention.

Under U.S. patent law, if the patent owner is a competitor of the infringer, the patent owner may also obtain an award of damages equal to his own lost profits. In some cases, if the user has deliberately infringed or copied the patented invention, the patent owner may have the award tripled as punitive damages. Under these circumstances, the patent owner may even recoup his attorneys' fees for the lawsuit he brought against the infringer.

Patents were not always so powerful. In 1982, however, Congress created a new federal court in Washington, D.C., the U.S. Court of Appeals for the Federal Circuit, which, among other things, has exclusive, nationwide, appellate jurisdiction over all patent-infringement lawsuits, as well as over appeals from the U.S. Patent and Trademark Office. This new court has often demonstrated a heavy bent in favor of the rights of patent owners and has put teeth into patent laws in reinterpreting them.

Obtaining A Patent

Applying for a patent is not just a matter of filling out a simple

Contrary to widely held opinion, a working model of an invention does not have to be submitted with an application for a patent.



Steven D. Glazer is a registered patent attorney and partner in the New York office of Weil, Gotshal & Manges.

SMALL BUSINESS SUCCESS TAKES INITIATIVE

Firing up the initiative you need to succeed during tough economic times isn't easy. Your dedication can be tested by tight credit, intense competition and a challenging economy.

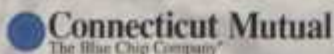
But the initiative that burns deep in the heart of small business is vital to reviving and strengthening our nation's economy. Recognizing that initiative is the goal of . . .

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And these small businesses inspire others by sharing their experiences, their success stories—even their mistakes. They believe, as we do, that the American economy will burn brighter because of their efforts.

We salute this year's Blue Chip Enterprise designees. Their initiative is America's inspiration.



MANAGING

form. But it doesn't require building an actual model of the invention, either. Rather, each new patent application must be written "from scratch" to demonstrate clearly that a person of average skill in the relevant technology could build and use the invention described in the application without undue experimentation.

Moreover, in addition to a written technical description of the invention, including drawings, each application must also contain one or more "claims" that particularly point out the specific subject matter believed by the inventor to be patentable.

A claim in a patent has been likened to a deed of land because it must precisely define the metes and bounds of the invention that, if trespassed upon, will result in infringement.

Because a patent's claims, in order to be effective, should cover devices currently being used or likely to be used in the not-too-distant future, and because it must not cover technology previously available to the public, the Supreme Court has described a patent as one of the most difficult legal documents to prepare. For this reason, most inventors retain a registered patent attorney or patent agent—someone who has demonstrated the requisite qualifications to the Patent Office—to prepare patent applications.

When it comes to handling an application, according to the Patent Office, a patent agent is often just as well-qualified as a patent attorney. A patent agent, however, cannot conduct patent litigation in the courts or perform some other various services. A patent agent, for example, could not draw up a contract or license relating to a patent if the state where he or she works considers drawing contracts part of the practice of law.

Once a patent application has been filed with the Patent Office, it is not unusual for all the original claims to be rejected initially by the patent examiner—often because of prior technology that the examiner discovered in the routine search through Patent Office records. In that event, the inventor is given an opportunity to meet the criteria for patentability.

There are three principal requirements that an invention must meet to be patentable:

- It must be useful. (It must be able to operate, as well. As the Patent Office says, a machine that cannot operate to perform the intended purpose would not be called useful, and therefore would not be granted a patent.)

- It must not have been previously available to the public.

- It must be sufficiently different from what has been used or described before that it is "not obvious" to a person having ordinary skill in the related area of technology.

This last requirement is often the hardest to meet. It is not unusual for two or three years to pass between when a patent application is filed and when a patent is granted. Some applications take even longer, particularly if they involve

commercialize the invention in any way.

If, however, the inventor has described the invention in a publication or commercialized it at any time over a year before filing the application for a patent, the application should be denied.

This last restriction—limiting the grace period to one year—has proven the downfall of many patent owners who later asserted their patent rights in court against alleged infringers.

If the alleged infringer can show the court that the inventor offered to sell a device containing the invention more than a year before a patent application was filed, then the patent may be held permanently invalid and unenforceable. That rule holds even though the offer may have been made only once to someone who never actually bought the device.

The same result may follow if the invention was shown or demonstrated to the public, say at a trade show, more than a year before the patent application was filed. It is thus important for an inventor to take care before disclosing or commercializing an invention if the inventor thinks he or she may want to patent it at a later time.

Another potential problem is beyond the control of the inventor. When a patent is issued, there is a strong presumption of the patent's validity, but there is no guarantee that the patent won't be shown to be invalid at a later date.

This most typically occurs because of some obscure prior technology that the patent examiner may have missed in routine searches through Patent Office files but that an accused infringer found after the patent was granted. This

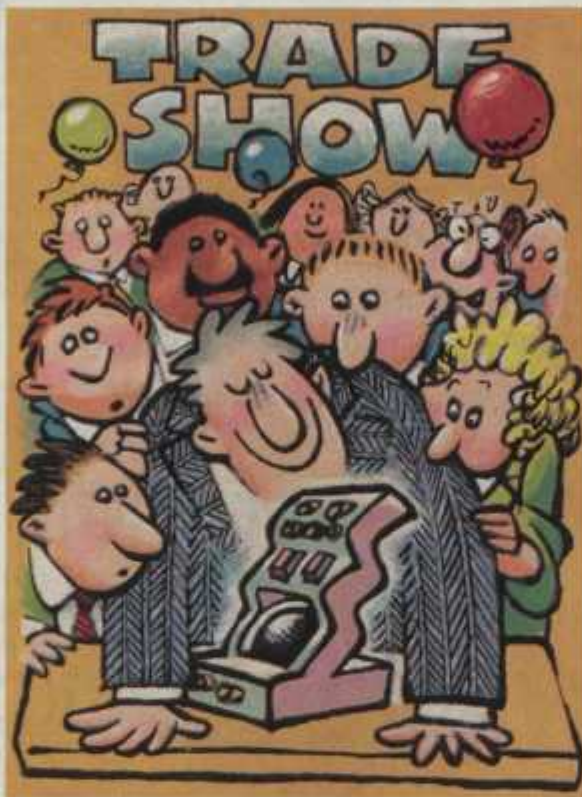
possibility is even more understandable given that the prior technology need not be documented in English and need not even be readily available in the United States, as long as it is available here or in a foreign country. For example, a single copy of a doctoral thesis available on a shelf in a university library in Germany could invalidate a U.S. patent.

Potential patent owners can take some comfort, however. Over the past 10 years, most patents involved in litigation have not been found to be invalid.

Benefits Of A Patent

By now, many of the benefits of having a patent should be obvious.

A patent provides you, as its owner, with both "a sword and a shield." You may use it to stop a competitor from profiting from your patented invention. Or you may use it defensively against another company seeking to close your business for using a patented invention. In such a



Premature display of an invention at a trade show could jeopardize your chances of securing a patent.

complicated inventions or those not clearly patentable.

If the patent examiner continues to reject one or more desired claims in a patent application, the inventor may appeal the decision to a Board of Patent Appeals within the Patent Office. If the board agrees with the patent examiner, the applicant may appeal to the U.S. Court of Appeals for the Federal Circuit. These procedures, however, may add years to the time it takes to get a patent.

Patent Pitfalls

An inventor who has come up with an idea that he or she thinks may be patentable must be careful in disclosing or developing the invention before filing an application with the Patent Office.

The U.S. patent laws (unlike the patent laws of most other countries) provide an inventor with a one-year grace period in advance of applying for a patent; during that period, the inventor may disclose or

circumstance, you and your competitor can trade or cross-license technology rather than fight it out in court.

A patent may also provide a start-up company with a valuable asset, one that may appeal to potential investors.

Furthermore, a patent can be used to obtain royalty or licensing income, even if the patent owner does not use the invention. Indeed, there are some U.S. inventors who have become millionaires many times over in just this way.

It becomes clear then that one of the best ways to reap rewards from the technology of the future is to create—and own—a piece of it today.

NB



To order reprints of this article, see Page 73.

To Learn More

For further information on patents, call the U.S. Patent and Trademark Office at (703) 308-HELP; or (703) 308-4357. For more detailed information on all aspects of intellectual property, consult *Modern Intellectual Property*, second edition, by Michael A. Epstein, published by Prentice Hall Law & Business.

If You Are Accused Of Infringement

It is not uncommon for a company to receive a letter from a patent owner bringing his patent to the attention of the company's president or other corporate official. A company was once fairly safe in filing such a letter away and taking no further action. Those days, however, are now gone.

Over the past 10 years, developments in the patent area have been positive for patent owners and increasingly burdensome for those who might be accused of infringing. The U.S. Court of Appeals for the Federal Circuit, in a series of cases it decided in the mid-1980s, held that a company that has received notice (no matter what the source) of another's patent rights must exercise due care not to infringe those rights.

Thus, once a company is notified of a patent, the company has an obligation to investigate the matter and determine whether it has a good-faith belief that the patent either is not infringed by the company's technology or is not a valid patent.

A company that does not take these steps risks a finding of willful infringement

if it is ultimately sued and found to be infringing a valid patent. A company that does not make the requisite study of the patented technology before it is sued runs the risk that any damage award entered against it may be multiplied up to three times.

The typical way in which a company may carry out its duty of due care is to have a competent opinion prepared by a patent attorney soon after notice is received; the opinion must demonstrate either that the company is not infringing the patent or that the patent is clearly invalid. The opinion, even if it is at odds with an ultimate contrary ruling by a court or jury, may still insulate the company from increased damages or willful infringement.

For companies that receive numerous letters from would-be patent licensors, this course of action can be expensive. In that event, the company must perform its own risk-benefit analysis to determine whether it can safely afford not to pay what is, in effect, an insurance premium against the possibility of a finding of willful infringement down the road.

LOOK FOR THESE UPCOMING STORIES

Equipping The Small Office

In April you'll find a cover story to help you select the right equipment for starting or upgrading your office. Topics include tips for buying PCs, selecting the right phone system, and designing a productive work environment. Other features include:

- ☐ Dealing with a tax audit
- ☐ Profiles of the four national Blue Chip honorees
- ☐ How to choose a lawyer
- ☐ Family Business: A case study
- ☐ Coping with the Clean Air Act

Now's A Good Time To Export

The cover story in May will explore the ins and outs of exporting and explain why now is a good time for small businesses to think about exporting. Related stories will discuss export financing, exports to Mexico, and a resource guide for small-business managers. Also in May:

- ☐ Leasing cars and trucks
- ☐ CD-ROMs for small business
- ☐ Low-cost training programs
- ☐ How to increase profits when you can't raise prices
- ☐ Environmental technology

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Small-Business Computing

Macs' appeal; keeping up with the taxes; harnessing information.

By Jon Pepper and Albert G. Holzinger

MACINTOSH

Buy A Mac For Less

Macintosh fans in small businesses take note: Now may be the time to buy the high-powered Mac and peripheral equipment you've wanted but couldn't afford.

The price-consciousness of Apple Computer Inc.'s new management and the imminent introduction of the company's next generation of computers—dubbed Powermacs because they're built around Motorola Inc.'s PowerPC microprocessor—have triggered unprecedented price cuts affecting even top-of-the-line, traditional Macs and related equipment. Those who either don't need the lightning-fast speed of a Powermac or who don't want to invest in the software required to take full advantage of its microprocessor should consider traditional Macs that sell for bargain prices at retail and mail-order outlets.

In addition, those who use Microsoft Corp.'s Windows with their personal computers and find the program complex might now be prompted to consider buying a Mac. Because of the tight integration of graphical components in their basic design, Macs remain easier to set up and operate than PCs running Windows. Despite its power and glitz, Windows is still a graphical Band-Aid on top of a decidedly nongraphical DOS operating system. The next version of Windows, which will operate without DOS, is to be released late this year.

Is a Mac the right machine for you or your company? According to industry research companies, Apple Computer has a 10 to 12 percent share of the computer market. A lot of the choice depends on whether "a user has some specific and justifiable needs," says Helen Miller, a PC-network support analyst with Land O'Lakes in Minneapolis. The food company has thousands of PCs nationwide but fewer than 100 Macs, mostly in finance, corporate communications, and graphic arts.

Miller says many of the current Mac users determined some years ago that the Mac version of Microsoft's Excel offered the best and easiest-to-use spreadsheet. On the



PHOTO: ESTEVE WORT

Macs or PCs? The choice depends on users' needs, says Helen Miller, left, of Land O'Lakes, conferring with executive secretary Becky Heren.

other hand, Miller adds, the Mac vs. PC "choice depends also on the network needs users have."

Following are just a few of the bargain-priced Apple computers and third-party peripherals and software you might want to evaluate if you believe a Mac is for you.

Macintosh Centris 660AV, Apple Computer Inc., (408) 996-1010: The Centris 660AV demonstrates Apple's commit-

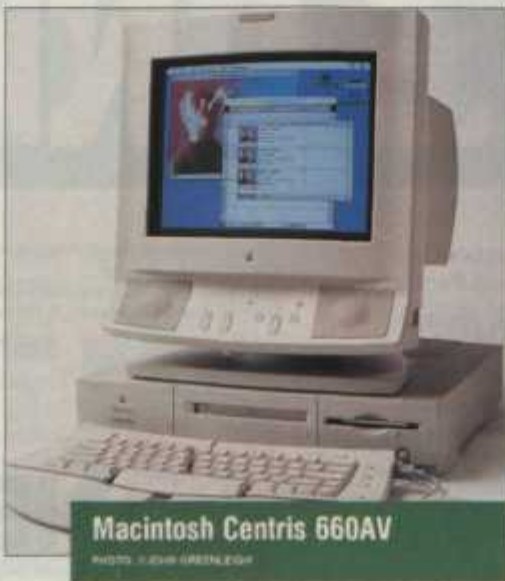
ment to multimedia computing. The 660AV is a complete multimedia machine. Typically, it is configured with 8 megabytes (MB) of random-access memory (RAM), a 230MB hard drive, a dual-speed internal CD-ROM drive, Ethernet network connections, and a 25 megahertz (Mhz) 68040 processor by Motorola Inc.

The system comes with 1MB of video memory that can support thousands of potential colors. It also comes with advanced stereo audio capabilities for high-quality sound.

Designed from the ground up for multimedia, the Centris 660AV includes a custom AT&T digital signal processor (DSP) that vastly increases the speed of audio, image, and even telephone-based processing.

Though many of these capabilities are as yet untapped by software, you'll soon be able to buy products that turn the Centris into an advanced office machine for anything from digital voice mail to total voice input. Even now, the Centris can create and play back some impressive multimedia presentations, especially when paired with Apple's AudioVision 14 monitor (\$729).

This new monitor has a Sony Corp. Trinitron color display and two speakers built in for playback. It also has easy-to-reach input jacks for CD-ROM drives,



Macintosh Centris 660AV

PHOTO: JIM GREENLEIGH

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SMALL-BUSINESS COMPUTING

cassette players, headphones, or other devices.

If you want the full capabilities of a Mac as a business machine and the additional multimedia capabilities, the Centris 660AV is a cost-effective and desirable product. List price in the described configuration is \$2,799. The more powerful Quadra 840AV (with a 40MHz 68040 processor) lists for \$4,399 with the same equipment as the Centris.

PowerBook Duo 250, Apple Computer Inc., 1-800-776-2333: Apple's PowerBook series set the standards for form and function in portable computing. Based on the muscular 33MHz Motorola 68030 processor, the PowerBook Duo 250 adds some minor improvements to earlier models, most notably a 16-level gray scale, an active matrix screen, and a nickel metal hydride battery with improved power management software for longer battery life.

The system measures 8.5 by 10.9 by 1.4 inches and weighs just 4.2 pounds. It comes with a 200MB hard drive. A 240MB hard drive is optional. The 4MB of standard RAM can be expanded up to 24MB, and the system works with the current Duo expansion docks. List price, with 4MB of RAM and the 200MB hard drive, is \$2,599. A version with a 256-color active matrix screen, the PowerBook Duo 270c, has a list price of \$3,099 with 4MB of RAM and a 240MB hard drive.

DoveWriter-1 Printer, Dove Computer, (919) 343-5600: While the PowerBook and other notebook computers have made it simple to work on the go, printing documents away from the office has remained more difficult. The DoveWriter solves most of the problems associated with portable printing. It weighs less than 3 pounds, produces 360 dots per inch (dpi) resolution, and measures a total 12 by 8.5 by 1 inches.

The system comes with a battery pack, an AC adapter, and all of the cables necessary to connect to a PowerBook. The list price is \$549, but the street price can be less than \$400.

Seiko Professional ColorPoint 2 PSE, Seiko Instruments USA Inc., (408) 922-5800: Seiko's Professional ColorPoint 2 PSE Model 14 features an innovative print head that can deliver full-color output in either thermal-transfer or dye-sublimation mode. The former works well for proofing print jobs at a lower cost per page, while the latter offers high-quality, continuous-tone output, which is better for prepress work. The printer comes

with Adobe Systems's Postscript Level 2 software, has 300 dpi resolution, and can print full-bleed output at 11 by 17 inches.

The ColorPoint includes 104 Adobe Type 1 fonts, produces 16.7 million half-tone colors, and supports EFI EfColor, Apple Colorsync, and Kodak Colorsense

images are then dropped into applications such as Aldus PageMaker. The program supports the Kodak Photo CD standard and comes with a sampler of color photos. List price is \$279.

Xante Accel-a-Writer 8100, Xante Corp., 1-800-926-8839: The Accel-a-Writer 8100 can deliver resolution of 600 dpi or greater. The base model can deliver true 600 dpi resolution in 11 by 17 inch format for output that is much finer than a typical laser printer. Plus, the Accel-a-Writer can be upgraded to print at 800, 960 or 1,200 dpi.

The base model has 12MB of RAM (upgradable to 64MB), a print speed of eight pages a minute, and enhanced gray scaling. The system is widely available for about \$3,995 for the 600 dpi model and \$6,995 for the 1,200 dpi version.

AXION Switch, AXION, (408) 522-1900: One thing most PCs have and most Macs don't is multiple serial ports. Adding serial ports to your Mac, however, can be easy with the AXION serial box expander. This ingenious device simply plugs into the modem port to give you three active serial ports. This enables you to connect multiple serial printers, label printers, modems, or any other combination of serial devices.

The device is self-powered, allows one-click switching between ports, and has software to help configure almost any Mac serial device. Retail price: \$159.

La Cie SilverScanner II, La Cie Ltd., 1-800-999-1477: There is no shortage of

scanners for Mac systems, but the SilverScanner II from La Cie is notable for its combination of solid scanning software, quality optical components, and reasonable price.

The SilverScanner II can handle either gray-scale or color images at a resolution of 400 dpi; that can be increased to 1,600 dpi with the software provided. Many scanning modes are available, from full, 24-bit color to a line-art mode that delivers

faster scanning for less-critical images.

A strength of the SilverScanner II is its scanning control software, which can address color correction and contrast control as well as deliver a preview mode for cropping images before a full scan. All told, this is a versatile product that can handle most projects for general business or designer applications. The product is shipped with Adobe Photoshop 2.5 and Read-It! O.C.R. Pro; it lists for \$1,999. ■



PowerBook Duo 250

PHOTO: JOHN GREENLEAF

for color matching. Print speed is about three minutes a page. There is a 160MB internal hard disk for printing large jobs. List price is \$16,499.

Apple PhotoFlash, Apple Computer Inc., (408) 996-1010: If you've been searching for an easy way to import photographs into your business documents, then Apple's PhotoFlash may be for you. Designed to work with presentation, page-layout, and general business



Xante Accel-a-Writer 8100

PHOTO: JEFFREY GORHAM

software, PhotoFlash is based on three main elements: a browser for selecting images, preparation tools for enhancing images, and a scripting facility for automatic placement of images.

The software is easy to use. You select an image using the browser, which provides thumbnail displays of available images, and then crop, rotate, resize, or otherwise manipulate the image. Finished

INFORMATION MANAGEMENT

Keeping Up With The New Tax Law

The federal tax-law changes enacted last August have forced writers of tax software to hustle to ensure that their packages are up to date as well as easy to use and affordable.

The leading tax programs are **Andrew Tobias' TaxCut** from Meca Software Inc. (suggested price \$79.95) and **TurboTax** (suggested price \$69.95) from ChipSoft Inc., which is now owned by Intuit Inc., the publishers of Quicken. The newest entry, and bound to create a splash in this category, is **CA Simply Tax for Windows**, from Computer Associates International Inc., part of the company's Simply series of software.

CA introduced CA Simply Money by giving away the first million copies. It is doing the same with CA Simply Tax. You can have it for the asking between now and April 15; call 1-800-737-3382.

If you have been keeping your finances using Quicken, you'll probably want to use TurboTax; similarly, if you have been using Managing Your Money, you'll probably go for TaxCut; and if you have decided you like CA Simply Money, you'll probably like Simply Tax. One major consideration, of course, is that Simply Tax is available only for Windows. The others are also available for the DOS and Macintosh operating systems.

We have no quarrels with any of the products: They're all good, capable, and fairly easy to use. And all incorporate the August 1993 changes in the tax law.

Although you may not really want to do your own taxes, you might find some of the answers you get with these packages worth comparing with your professional tax preparer's. Maybe there are a few more bucks to be saved.

—Ripley Hotch

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Pity the business person with a pocketful of business cards and no easy way to retain the information for future reference. One slick way to organize the information is the **CypherScan 1000**, by CypherTech. This product comes with a compact, business-card-sized scanner and Windows software that automatically creates a data base of contacts. You simply scan in the cards, and the program does the rest. You can retain the data base that the CypherScan creates or export the data to several popular formats, including dBase, Paradox, Lotus Organizer, and ACT. With a list price of \$395, the CypherScan 1000 is the type of product that can pay for itself many times over. Call CypherTech at (408) 734-8765.

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equation, occasionally everyone needs a small number of business cards on short notice. **Laser Business Cards**, by Avery Dennison Co., is a smart way to meet this need. Designed for use with popular word processors and a laser printer, each 8½-by-11-inch sheet of stock has 10 standard-sized business cards that are microperforated for easy separation. Simply design the cards with your word processor (Avery Dennison provides instructions), print them on your laser printer, and separate them. A box of 250 blank cards retails for \$12.95.

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TRANSPORTATION

You Make It, They Distribute It

By Julie Candler

When Barry Goodridge of Premier Inc. looked for a way to cut transportation and distribution costs, he turned to GATX Logistics Inc., of Jacksonville, Fla., to provide trucking, packaging, and warehousing services for his company's over-the-

Conn., company had \$28 million in sales in 1992.

Nearly three years after the contract was signed with GATX in the spring of 1991, Goodridge assesses the arrangement as "very efficient."

Increasingly, firms nationwide are

To reduce costs, small firms are turning their trucking, packaging, and warehousing services over to third-party logistics companies.

a handful of such enterprises. Today, about 125 companies—many of them formed in the past five years—provide contract logistics services.

"It's a concept of one-stop shopping," says Ken Siegel, deputy general counsel for the American Trucking Associations, in Alexandria, Va. "Instead of hiring 100 people to run your own freight department, you turn the work over to a logistics company, and they do everything, maybe even control your inventory."

In transportation, logistics is the process for the efficient and timely flow of goods, services, and information from the point of origin to the point of consumption. "It's taking a manufactured product and getting it to the ultimate consumer," says Maria McIntyre, senior director of operations for the Council of Logistics Management, a professional organization in Oak Brook, Ill., with more than 6,800 members worldwide.

"Some of our clients are small and medium-sized companies with limited in-house staffing," says Larry Meek, president of Diversified Transportation, a logistics company in Atlanta. "They don't have the time or the personnel."

In Premier's case, its contract with GATX calls for goods produced at Premier's four plants around the country to be funneled to a GATX warehouse in Dallas and shipped from there to distribution outlets nationwide.

GATX also packages several Premier products. "GATX does all our special packaging and promotions even though we use a variety of packaging configurations and forms and often make short-notice demands," Goodridge says.

For Premier, a wholly owned subsidi-



PHOTO: GUY W. FULTON JR.

In Carrollton, Texas, employees of Florida-based GATX Logistics handle packaging and shipment of health and beauty-aid products for Premier Inc., of Greenwich, Conn.

counter pharmaceutical, health, and beauty-aid products.

"The current size of our company doesn't warrant establishing our own distribution center," says Goodridge, Premier's director of sales. The Greenwich,

turning to third-party logistics companies to distribute products. At the same time, other companies, such as trucking firms, are getting into the logistics business. When GATX Logistics (originally called the Unit Co.) began in 1974, it was one of

What To Look For In A Logistics Firm

In choosing a third-party logistics company, make sure it's able to carry out the tasks your firm requires, says Robert V. Delaney, executive vice president of Cass Logistics, a management-software company in St. Louis. "A lot of deals are being done without adequate audits and financial controls."

A.T. Kearney, Inc., a Chicago management consulting company, recommends

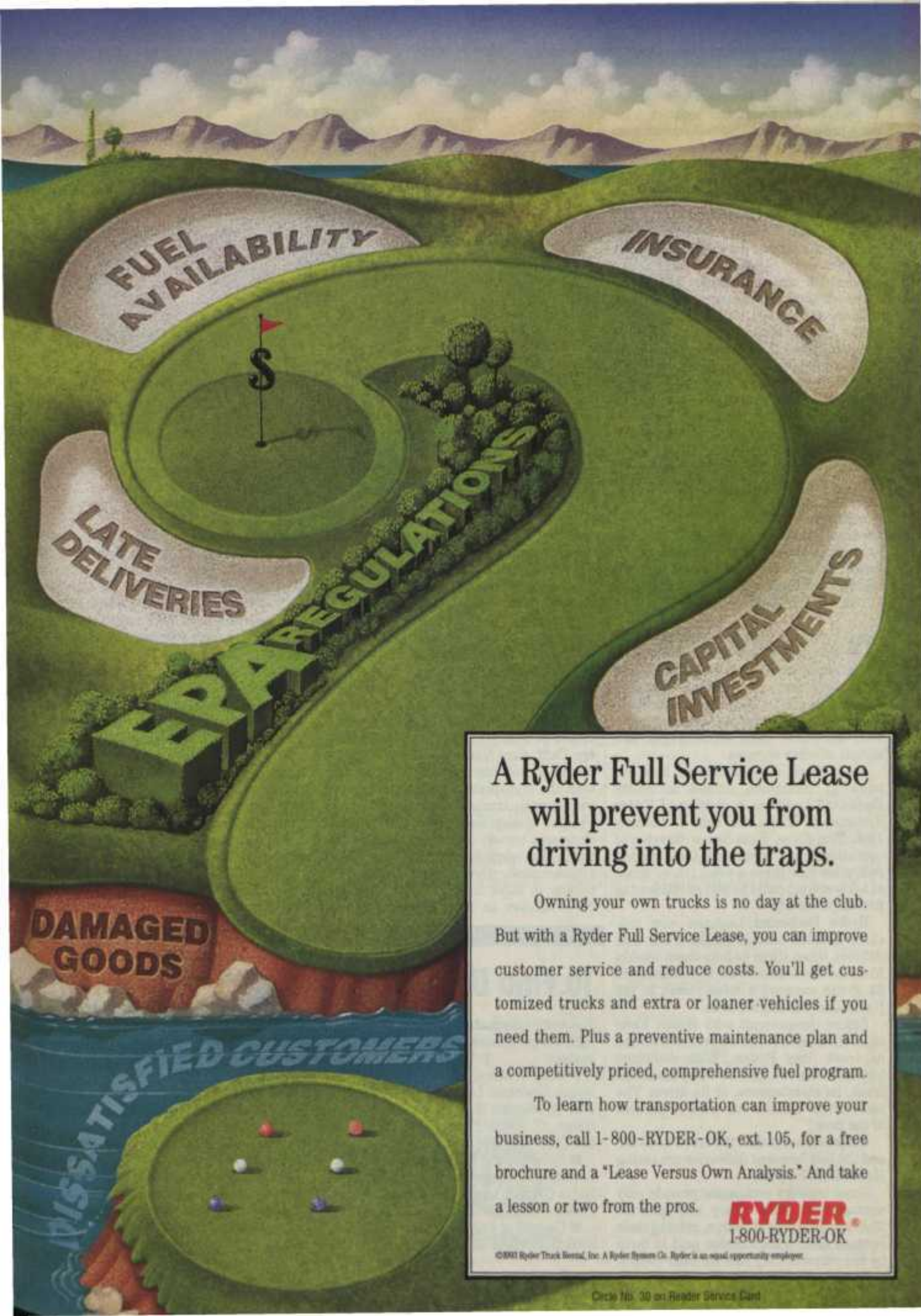
checking a potential logistics firm's characteristics, such as compatibility with your company in approach, attitude and culture; focus on quality; experience in your industry; financial strength; performance record; flexibility; and customer references.

The costs of logistics services are just as varied as the functions provided for clients. Companies that use third-party

logistics generally agree, however, that it costs less to use such firms than to carry out the same functions in-house.

When you're looking for logistics help, don't assume that affiliates of common carriers that provide such services are necessarily steering shippers to their own line.

Yellow Logistics Services, in Overland Park, Kan., for example, uses Yellow Freight for less-than-truckload long hauls but other carriers for regional runs and other services.



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TRANSPORTATION

ary of Advanced Polymer Systems, of Redwood City, Calif., the logistics company provides about 1 million promotional packaging units each year for products that include Sundown sunscreens, Take-Off makeup-remover cloths, Exact acne products, and Orafix denture adhesives.

GATX Logistics, a subsidiary of GATX Corp., a Chicago-based equipment lessor, is one of the largest providers of contract or third-party logistics services in the nation. Its assets include 21 million square feet of warehouse space and 550 tractors and trailers.

The sophisticated logistics skills of companies like GATX are helping make U.S. businesses more productive and competitive by making their goods available more quickly at lower cost.

Robert V. Delaney, executive vice president of Cass Logistics, a management-software firm in St. Louis, credits logistics with cutting the country's physical distribution costs as a percentage of gross domestic product to an all-time low—9.8 percent—in 1992. In 1980, it was 14 percent. Delaney estimates that wise use of logistics and reduction of costly inventories helped U.S. businesses cut \$1 billion from their annual physical distribution costs in 1992.

Contract logistics companies know how to find the proper carriers or other transportation services and negotiate with them. Logistics companies may also provide handling, warehousing, distribution, inventory control, electronic data interchange, and dozens of other services.

Hess Shoes, a medium-sized shoe retailer in Baltimore, turned to Ryder Dedicated Logistics, a division of Ryder Systems, of Miami, for help in January 1993. Tom Kane, Hess Shoes' director of operations, had concluded that making deliveries four times a week (three times at a few stores) could be just as efficient as five stops weekly.

Ryder Dedicated Logistics now provides a driver and a single truck that delivers shoes three to four times weekly from the Hess warehouse in Baltimore to 23 of the company's retail stores in the Baltimore-Washington area.

Before the contract with Ryder, Kane says, Hess hired its own driver and rented its truck from Ryder. "With dedicated logistics, we don't have to worry about the truck, its maintenance, or its driver. The same driver handles our work 95 percent of the time."

Kane estimates that the move to Ryder and the less frequent deliveries are saving Hess \$18,000 a year.

Some logistics companies provide only management skills. They may provide their services free of charge, gaining their revenue from a commission paid to them by the carriers they hire for their clients.



In Baltimore, Willie Earl Seabron of Ryder Dedicated Logistics makes deliveries for Hess Shoes; the arrangement has cut the shoe company's distribution costs.

Some are transportation brokers and freight forwarders that have expanded into the logistics field but own no assets. They subcontract for any transportation, warehousing, or other services their clients need.

National Freight Management, of Anaheim, Calif., provides services that include logistics consulting, transportation programs, administrative services, and information management.

Harold Charbonneau, assistant comptroller at Utility Trailer, in City of Industry, Calif., uses National Freight Management's consultation services in connection with the transport of the company's big commercial tractor trailers. "National Freight Management answers our questions on a variety of matters, such as the tariffs that carriers are charging us," says Charbonneau, whose company had \$300 million in sales in 1991. "For example, NFM advises us if a discounted rate a

carrier quotes us has been filed with the ICC." If it hasn't and a carrier goes bankrupt, he says, "we could be billed by the bankruptcy trustees for the full rate."

"Their advice is a safety valve for us," Charbonneau says. "We used to attempt checks on these matters ourselves, but we weren't as successful as we wanted to be."

A company whose primary business is logistics is not the only option for a small firm looking for logistics help. Many large corporations operate their own logistics subsidiaries. Eastman Kodak Co., in Rochester, N.Y., earns income by providing logistics services to nearby companies.

Can your company afford to hire outside help with logistics? Maybe not. But then again, maybe it can't afford not to.

Delaney of Cass Logistics points to growth in the logistics-services industry. "It's a \$10 billion market now," he says. "By the end of the decade, it should be a \$50 billion market."

To Find Out More

For more information about third-party logistics companies, you may want to contact:

■ Mike Jenkins, President and CEO, North American Logistics Association, 1300 W. Higgins Road, Suite 111, Park Ridge, Ill. 60068. Phone: (708) 292-1891; fax: (708) 292-1896.

■ Bob Walters, President, American Logistics Management Association, 2000 Santa Cruz St., Anaheim, Calif. 92805. Phone: (714) 937-8970; fax: (714) 937-0402.

■ Council of Logistics Management, 2803 Butterfield Road, Oak Brook, Ill.

60521. Phone: 708-574-0985; fax: 708-574-0989.

■ For a free copy of the February 1994 issue of *Inbound Logistics* magazine, which includes a directory of logistics management companies, write to Charles Zegers, Administrative Assistant, *Inbound Logistics*, 5 Penn Plaza, Eighth Floor, New York, N.Y. 10001.

■ *Transportation and Distribution* magazine will send a free copy of its January 1993 article on logistics, "Why Use Third Parties?" Write to Maryann Javorek, Customer Service Coordinator, *Transportation and Distribution*, 1100 Superior Ave., Cleveland, Ohio 44114. Phone: 216-696-7000; fax: 216-696-4135.



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Less A Parent, More A Partner

By Meg Whittemore

Franchisors tell how they are fostering a sense of team effort with their franchisees.



PHOTO: GWESLEY HETZ

The concept of strategic partnerships in franchising has been around a long time. Bernie Browning says he introduced it in the early 1960s when he owned General Business Services, Inc., a franchised system in Silver Spring, Md. The company offers accounting and consulting for small businesses.

"I had been a franchisee two times before I started GBS," says Browning, "so I was more sensitive to the arrogance of the franchisor towards the franchisee that was often present."

After decades of practicing a leadership philosophy that he says placed General Business Services franchisees at the center of his concern, Browning sold the company and stepped down as CEO in 1986. He became a franchise marketing consultant. He still preaches a concept of strategic partnership in franchising.

"I always stressed to my people at GBS headquarters that we were partners with our franchisees," Browning says. "We were both equally important, and one would be helpless without the other."

A lawyer might cringe when franchisors refer to their franchisees as partners. "What they are talking about is the way that franchising ought to work," says

TCBY Systems' president and CEO, Charles Cocotas, describes himself as a champion for franchisees like Velma Caulder, who owns a store in Little Rock, Ark.

Michael Garner, a New York City attorney whose clients include both franchisors and franchisees. The term partnership, he says, conjures up legal points of shared profits and losses, and joint ownership. "Franchising is a contractual relationship as defined by the franchise agreement, and nowhere in the agreement is the word partnership," he says. Instead, "I would refer to it as a spirit of cooperation, a mutual understanding, and open exchange of views."

Garner acknowledges, however, that there are changes taking place in the relationships between franchisors and franchisees that hint at a growing interest in the concept of strategic partnerships.

Most of the changes are largely a result of individual leadership styles—those of the franchisor and the franchisee. But some industry experts believe that the pressures of increased scrutiny of franchising by federal and state legislators have prompted many franchisors to re-examine their management strategies pertaining to franchisees.

In general, partnership in franchising embraces a range of management philosophies, including open lines of communication, organized franchisee forums, aggressive ongoing training, and an attitude of working together responsibly.

For many franchise systems, the existence of a franchisee advisory council remains the most important element in creating a climate of strategic partnership. Such a council is typically organized as an elected body representing the community of franchisees. The membership includes franchisees from different regions, and the terms of office are usually staggered. The sizes range in numbers, depending on the size of the franchise system.

Advisory councils of Burger King or McDonald's franchisees, for example, have thousands of members. Smaller franchise systems have proportionately smaller councils.

There are advisory councils for only 272 of the 680 franchisor members of the International Franchise Association, a

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Why are some franchisors hesitant to support franchisees in this way? "It all goes back to the old idea of control," Browning says. "They can't seem to give it up and make the franchisees part of the decision-making process."

But franchises that have such councils

that drives the income (monthly royalties on gross sales) of the franchise. "I think there is a built-in mutual responsibility between franchisors and franchisees to work together closely, cooperatively, and harmoniously," Cocotas says.

One of the cornerstones of Cocotas' approach to franchise management is to



PHOTO: T. MICHAEL KEZA

A franchisee advisory council helps Precision Tune, Inc., run smoothly, says Joseph Grimand, president and CEO as well as one of the system's 500 franchisees.

find they provide open lines of communication that are vital to maintaining a spirit of partnership, Browning says. And through the councils come good ideas. "The franchisees are on the front line every day," he says. "What better market researchers could you get?"

In interviews with *Nation's Business*, franchisors described how they are fostering a sense of being less a parent and more a strategic partner with their franchisees:

Mutual Responsibility

Charles Cocotas, president and CEO of TCBY Systems, Inc., a frozen-yogurt franchise based in Little Rock, Ark., has worked for 34 years in a variety of franchise systems, including International Dairy Queen and Boston Chicken. He took over TCBY Systems in 1989, while the founder, Frank Hickingbotham, remained president and CEO of TCBY Enterprises.

Cocotas defines himself as a champion of the franchisee and, while hesitant to use the word partnership, refers to TCBY franchisees as his customers—the engine

never lose sight of what it feels like to be a franchisee. Partnership to him means understanding what the franchisees are up against every day. His first few days as TCBY's new CEO were spent in a TCBY franchise location in Little Rock, waiting on customers. Corporate staff members are also expected to work periodically in a TCBY franchise.

"I believe if you don't know how it feels to operate the franchise, to be in the stores on the firing line, and to deal with the customers, then you don't have any business managing those who do," Cocotas says.

Within the first three months of his taking over as CEO, Cocotas talked with about 70 percent of TCBY's 1,400 franchisees in 17 meetings nationwide. "Winning doesn't happen by sitting behind a desk," he says. "The only way to operate is to go out and talk to franchisees."

Velma Caulder, a TCBY franchisee since 1982, recalls the strong support she received when she opened her first franchise in Tulsa, Okla. She subsequently opened eight more locations in the Tulsa area. "The thing that they did from the

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very beginning was to give us a clear-cut operations manual that told us how to organize and operate this store on a daily basis, 14 hours a day," she says. "To me that's like helping someone who doesn't have a general knowledge of how to run a business."

The manual covered a typical day at a TCBY store, including how to open in the morning, how to prepare menus, how to deal with employees and customers, and how to close in the evening. "The manual was really clear-cut, and as the years went by, I would get updates if something changed," Caulder says. "I could always refer back to it for guidance."

Caulder went on to sell all but one of her Tulsa locations and move back to her hometown of Little Rock, where she took over an existing TCBY store in 1990. Over the years, "they didn't leave us hanging in any area," she says. She considers herself a partner of sorts. "It's a hand-in-hand proposition," she says. "In my opinion, they did their share, but I also did my share through effort and hard work."

"It's a hand-in-hand proposition. . . . They did their share, but I also did my share."

—TCBY Franchisee
Velma Caulder

Communicating—Up And Down

Joseph Grimaud has seen franchising from both sides. In the 1970s, he operated several Midas Muffler shops in Louisiana. Midas, headquartered in Chicago and now called Midas International Corp., is an automotive-service franchise specializing in exhaust systems, brakes, and suspensions.

In 1979, Grimaud bought the area rights to North Carolina to develop Precision Tune franchises, an engine-tuneup and maintenance franchise headquartered in Leesburg, Va. When he opened his first Precision Tune, he was one of 60 franchisees. Today, he is one of more than 500 franchisees in the system.

What makes Grimaud's story unusual is that he is also the president and CEO of Precision Tune, Inc., the parent company, which means he is both the franchisor and a franchisee of the same system. He believes that gives him added insight into maintaining a sense of partnership between the franchisor and Precision Tune franchisees.

"I have always felt that there was a feeling of partnership within the company right from the start," Grimaud says. While he was running his Midas Muffler shop, a Precision Tune franchise opened across the street. "I watched it for a year," he says, "and the franchisee was

very open with me about his own financials of running the business and the other challenges that he faced."

Grimaud brought in an operating partner as a minority-interest holder to run his Midas Muffler shop while he focused on starting his newly acquired Precision Tune franchise. "My partner went on to develop six more Midas shops," Grimaud says. "That taught me that it is better to own a majority interest in a shop that is doing well than to own a 100 percent interest in a shop that is weak."

Grimaud shares his experience with having an operating partner with Precision Tune franchisees. "I hand out a packet of information on myself, including my own financial statement and information on how I did those operating-partner relationships," he says, "just in case one of them might want to use that method for growth."

Grimaud is among the group of franchisors who have come up through the ranks, and he values communication between the franchisor and franchisee. Precision Tune sends out weekly packets of information, followed by monthly newsletters and regular meetings with the franchisee advisory council.

"The communication process is something that must be worked continually from our level," Grimaud says, "yet there must be some means for the communication to flow back up to us, too." Franchisee advisory councils provide the conduit for information to reach the corporate office, he says.

Grimaud is not alone in his support of franchisee councils. Gregory Muzzillo, CEO and founder of ProForma, Inc., a Cleveland-based franchise that specializes in marketing business forms, business printing, and promotional products, says, "Our franchisee advisory council provides significant input for formulating a course of action in areas such as advertising and marketing, information systems, new product lines, vendor relations, and strategic planning." ProForma has 103 franchisees in 29 states and Canada.

Likewise, TCBY's Cocotas says, "I think the franchisees have a right and a need to be organized in some elective way as a group of people," he says. "The franchisor has a responsibility to promote and nurture that."

TCBY's franchisee advisory council, in existence since the company's inception, meets every two months; expenses are

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paid by the franchisor. "I make sure we listen very carefully to their recommendations and what they have to say," Cocotas says. "I value their input greatly."

Communication remains the primary tool that most franchise management executives rely on to foster a sense of partnership and thus avoid conflict with their franchisees. For franchisors who face angry franchisees, Dave Collins, vice president of franchise development for Copies Now, a business copying franchise based in Laguna Hills, Calif., with 85 franchisees, has two words of advice: "Start talking."

Collins continues: "If you don't see eye-to-eye, then it is time for a top-level group to start traveling and sit down with every single franchisee. You are never going to accomplish anything in franchising unless you talk to your franchisees."

Franchisees As Customers

"Am I my franchisor's customer? Actually I feel like they work for me," says Susan Alford, who owns two Copies Now franchises in Portland, Ore. "I pay them my monthly royalties to keep a certain base level of assistance ready for me if I need it," she says.

Copies Now is a franchise offered by Sir Speedy, Inc., also headquartered in Laguna Hills. Copies Now provides copying services to businesses, while Sir



PHOTO: CHARLES MOORE—BLACK STAR

Huntington Learning Centers' emphasis on communication and franchisee input was a deciding factor in Aleta and Doug Dent's decision to buy a franchise.

Speedy offers a full range of business printing.

In her eight years as a Copies Now franchisee, Alford has called upon the franchisor—Sir Speedy—for technological assistance, marketing advice, and help with handling a difficult customer or an undermotivated employee.

Sir Speedy's 11 regional representatives service Copies Now's 85 franchisees along with the 800 franchisees in the Sir Speedy system. "My rep provides a comfort zone for me," Alford says. "He is very responsive, calling me within 24 hours of my call. I use him as a sounding board."

For Alford, the concept of partnership

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exists at the Copies Now annual convention, where her fellow franchisees share "lots of practical information about the industry and their day-to-day experiences." The franchisor, she says, "puts on a very informative convention."

"The corporate culture is to go beyond the partnership concept," says Collins. "We think of a franchisee as a customer, whose success is absolutely necessary in order for us to succeed as a business."

Using the tenets of customer service and applying them to franchisee relations typically results in a host of programs, meetings, and a wide range of customer-friendly reading materials. "We have a whole department devoted to communicating with the franchisee," Collins says.

Programs aimed at keeping the franchisee up-to-date on the technology of their businesses are usually presented during the annual convention. Surveys and polls on levels of use for particular equipment—such as the percentage of sales in color copies as opposed to high-speed copies—are conducted regularly.

"These numbers tend to change over time and in different regions," Collins says. "It is important for us to know what the needs are in a given market so we can better help to meet them."

Treating franchisees as customers isn't a new idea. Browning, the franchise marketing consultant, instituted a policy

at General Business Services headquarters in the 1970s that he says put the franchisees first. "I didn't want an ivory-tower mentality among my headquarters people," he says, "so when a franchisee said 'Jump,' our response was 'How high?'"

"The top of the organization sets the climate."

—Franchisee Doug Dent,
Huntington Learning Centers

Says Cocotas of TCBY: "My attitude is that our customers are not the people who buy the yogurt. Our customers are our franchisees, and we must know how to support them if we are going to win. It is a team effort."

Leadership And Attitude

Creating an environment in which there are open lines of communication, a commitment to a common goal, and a sense of responsibility to find ways of achieving those goals requires a special kind of leadership. "I think the leadership at the top has to demonstrate, communicate, live, and breathe an attitude of, 'We are going to have a positive and open working relationship with the franchisees and to invite them into a participatory process,'" says Cocotas of TCBY.

Lois Marshall, who runs an international franchise executive recruiting firm in Carmel, Calif., says she has seen a shift toward a holistic management approach, the tone of which is set by the franchisor. "People who are being hired to run the systems now have forward-thinking mentalities," she says. "They don't have the approach of just sell 'em and forget 'em."

For Doug and Aleta Dent, Huntington Learning Centers franchisees in Modesto, Calif., the franchisor's leadership and attitude toward communication and franchisee input were deciding factors in their purchase.

Huntington Learning Centers, in Oradell, N.J., has 98 franchisees that supplement students' work in the classroom. According to Doug Dent, "The top of the organization sets the climate for the rest of the system." In his case, present-



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FRANCHISING

ing ideas on new course work or initiating a different approach to a remedial learning problem are all welcomed by the franchisor. "It is not autocratic at all," Dent says.

Aleta Dent says she feels like a partner with the franchisor mainly because of its attitude of open support. Ongoing training, site visits, and a positive responsiveness to her telephone calls help her in the business. "It's like what's good for one is good for all," she says.

"There is an awakening that I see which is very heartening," says marketing consultant Browning. "It is not universal, unfortunately. There are still people who may talk the right words, but when it comes down to relinquishing the control, they just hate to give it up." But he believes franchisors are finally moving in the right direction.

How To Start A Franchisee Advisory Council

In *The Franchise Handbook* (AMACOM), small-business consultant Robert Turner writes: "Franchising is based on a unique set of relationships not found in other business organizations. It is a business relationship and a human relationship."

And it is the human-relationship aspect of franchising that is improved as a result



PHOTO: PATRICIA CORDELL

A Copies Now franchisee, Susan Alford, has relied on the franchisor for technical assistance and marketing advice. Working with her is an employee, Colman Presley.

of franchisee advisory councils, also known as FACs.

For Precision Tune, Inc., an automotive-service franchise based in Leesburg, Va., "one of the biggest and most beneficial things for us is our franchise advisory council," says the company's president, Joseph Grimaud.

Precision Tune uses area subfranchising as its growth strategy—selling territories to individual franchisees, with each then developing his or her territory by selling franchises to other people. As a result, its advisory council is composed of subfranchisors and franchisees.

The council "brings these people to-



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gether who are elected by their peers to sit down with the company several times a year to discuss things that bother them and ways to move ahead," says Grimaud.

What if you are thinking of starting a FAC? What are the initial steps that you, as a franchisor, can take?

Charles Cocotas, president and CEO of TCBY Systems, Inc., a frozen-yogurt franchise headquartered in Little Rock, Ark., suggests that you send a letter informing all franchisees in the system. "Tell them that management wants to meet frequently with a representative group of them," he says.

Next, structure an election so that you have geographic representatives, "because you have distinct geographic differences among franchisees," says Cocotas.

The next step is to schedule meetings with the elected group of franchisee representatives. "I'm not talking about cursory meetings," says Cocotas. "I have meetings where we talk about every aspect of the company—program management and development, and how the company is spending the marketing budget."

The franchisee advisory council should be listened to, says Bernie Browning, founder and former owner of General Business Services, in Silver Spring, Md. "I brought [the council] into headquarters twice a year for two days," he says.

The FAC chairman and vice chairman submitted written reports to Browning. "Then I had my headquarters staff respond in writing to all of their recommendations," he says. "That gave us a written record so we could track progress."

The International Franchise Association, in its publication *How To Organize a Franchisee Advisory Council*, offers some advice:

By-Laws

While there is no standard method of writing the by-laws for a franchisee advisory council, they should include at least four categories:

- Who can belong to the council and who can serve as officers;
- When meetings are to be held and who is to pay the expenses;
- Who conducts the meetings and who must be present for a quorum; and
- Who is responsible for the inevitable paperwork.

Membership

Membership on franchisee advisory councils is typically handled in one of two ways: Franchisee members are appointed by the franchisor, or, more often, franchisee members are elected by their peers.

Officers' Duties

The council leadership team needs guidelines like any other organized elected body. The International Franchise Association

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ciation suggests detailing how many officers will be on the council, how they are elected, their terms of office, and their duties.

Council Agenda

Franchisee advisory council agendas typically include:

■ **Operations:** Facilities, training, operating manuals, communications, and customer satisfaction.

■ **Marketing:** Advertising, promotion, sales training, market forecasting, competition, and market position.

■ **Finance And Management:** Financial operations, standard accounting systems, capitalization, equipment financing, and product liability.

■ **Products And Services:** Product and service improvements and applications, and new-product and service development.

Be sure to take advantage of the experience of past council presidents, and don't neglect to invite your franchisor's top management personnel to your meetings. And create a follow-up mechanism to keep both members and nonmembers informed of the council's activities. **18**

To order reprints of this article, see Page 73.

To Learn More

General information on franchising can be obtained from the following organizations:

The International Franchise Association offers a free publication list; write to IFA Publications, P.O. Box 1060, Evans City, Pa. 16033.

For information on franchisee advisory councils, the association offers a booklet titled *How to Organize a Franchisee Advisory Council*. The publication covers how to organize a council in your franchise system, setting goals and objectives for your franchisee advisory council, the function of officers and committees, and how to set the council's agenda.

The booklet also contains several samples of franchisee advisory council by-laws. It costs \$7.50 for members of the association, \$10 for nonmembers. To order, call 1-800-543-1038.

If you are interested in getting information on a cross section of franchises, consider attending one of the International Franchise Association's World of Franchising Expos. The Expos, produced by the Blenheim Group in Winter Park, Fla., offer those who attend an opportunity to talk with representatives from

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- Sept. 10-11: Boston (tentative)
- Oct. 1-2: Chicago
- Oct. 29-30: Atlanta
- Nov. 12-13: Dearborn, Mich.

For more information, write or call Blenheim National Franchise Expos, Inc., 1133 Louisiana Ave., Suite 211, Winter Park, Fla. 32789-2350; (407) 740-0018.

If you are a franchisee or if you are considering becoming one, there are two national organizations ready to assist you:

The American Association of Franchisees and Dealers offers a range of information and services to its members, including a franchise search service and a list of contractual protections every franchisee should have.

The association also offers referral networks for assistance in the areas of legal advice, financial management, and general counseling on franchising.

For a copy of the organization's membership guide, and for membership cost information, call 1-800-733-9858, or write to the American Association of Franchisees and Dealers, P.O. Box 81887, San Diego, Calif. 92138-1887.

The American Franchise Association offers publications and consultations aimed at providing the latest information on the franchising business community.

The association—for various fees—will provide assessments of your ability to succeed as a franchisee, evaluate your financial preparedness, review franchise offering circulars, and provide one-on-one counseling.

The organization's quarterly newsletter costs \$35 per year. For more information, write or call the American Franchise Association, 53 W. Jackson, Suite 205, Chicago, Ill. 60604; (312) 431-0545.

Another helpful source of information is *The Franchise Handbook* (AMACOM), edited by Andrew Sherman. Of particular interest are Chapter 12, "Key Aspects of Managing the Franchisor/Franchisee Relationship Over the Long Term," by Robert Turner, and Chapter 13, "Franchise Advisory Councils," by Robert Perry.

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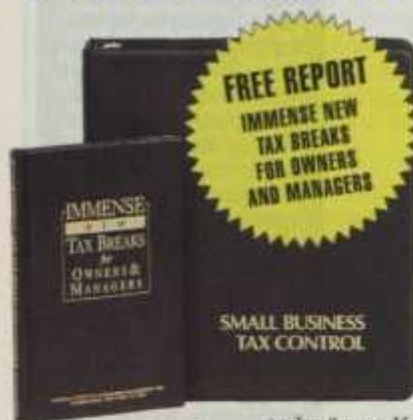
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There's Never A Smooth Ride

By Sharon Nelton

What every entrepreneur learns, later if not sooner, is that the road to a successful business is paved with impediments. They are the potholes, the stop signs, the detours, and sometimes even the washed-out bridges of entrepreneurial life.

No entrepreneurs know this better than the leaders of this year's businesses selected as Blue Chip Enterprises in a program called the Blue Chip Enterprise Initiative.

"We have learned that the ups and downs of business are the norm rather than the exception, and we have learned not to expect a smooth ride," said honorees William and Susan Kroyer in their application for the 1994 program. The two are the husband-and-wife owners of Kroyer Films, a motion picture and television production company in Van Nuys, Calif.

Now four years old, the Blue Chip Enterprise Initiative is sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* to recognize small companies that have overcome adversity and emerged stronger as a result.

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1994 Blue Chip Enterprise Companies

These are the 200 companies selected as Blue Chip Enterprises in the 1994 Blue Chip Enterprise Initiative program.

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Prescott Valley Broadcasting Company, Inc. (radio advertising) and Prescott Aerospace, Inc. (precision machining), both of Prescott Valley; Mastersoft, Inc. (computer software development), Scottsdale; CerProbe Corp. (manufacturer of testing devices for microchips), Tempe.

ARKANSAS

Gaston's White River Resort, Lakeview; The WAG Company, Inc. (backhoe manufacturer), Paragould; Ready Flow, Inc. (manufacturer of pen sets and inks),

Rogers; Hubbard & Hoke Furniture/The Cupboard (retailer), Blytheville.

CALIFORNIA

Shoreline Professional Video Systems (retail sales and service), Hollywood; Kroyer Films, Inc. (motion-picture and television production), Van Nuys; Central Computer Products (software publishing), Fillmore; Unity Forest Products (lumber), Yuba City; GERBER Business Development Corp. (small-business consulting), Petaluma; James R. Gary & Company Ltd. (residential real-estate sales), Woodland Hills.

COLORADO

Stokes/Ellis Foods (manufacturer), Le Petit Gourmet Catering, The Roybal Corp. (architectural and engineering services), and Just Squeezed Juices, all of Denver.

Constant challenge is the name of the game, say the Blue Chip Enterprises for 1994. Here are this year's designees.



honorees in the 1994 program. (See the listing below.) Of these companies, 51 were designated as top state or regional honorees from which a panel of judges selected four National Blue Chip Enterprises.

The four national honorees were invited to receive their trophies at the U.S. Chamber's 1994 National Small Business Conference in Washington, D.C., on Feb. 28.

The stories of the achievements of these four Blue Chip honorees will be told in the April issue of *Nation's Business*.

Entrepreneurs in this year's competition have bounced back from natural disasters such as Hurricane Andrew and last summer's Midwest floods. Some have recovered from riots, fires, severe financial difficulties, or the unexpected death of a partner. Others have successfully coped with the heartbreaking embezzlement by a trusted employee or the frustration of hearing over and over again that what they wanted to do "couldn't be done."

These Blue Chip business owners reflect not only the spirit of American entrepreneurs but also their diversity: They are men, women, couples, Hispanic, African-American, Asian-American, and

Native-American. And some of them are immigrants, still fulfilling the American dream by building businesses of their own.

All designees will be profiled in a book to be made available later this year. In addition, the top state and regional honorees will be featured on different segments of "First Business," the small-business morning television newscast produced by the U.S. Chamber and Connecticut Mutual.

The television presentations—which will be made available on videotape—and the book are part of an effort to share the lessons that can be learned from the Blue Chip Enterprises with small-business owners throughout the country, and to assure these other owners that they, too, can work through the difficult challenges of being an entrepreneur. And there will always be challenges.

As the Kroyers, the film producers from Van Nuys, put it, "We have found the essential ingredients for survival are these: looking for new opportunities when the old ones don't work, always taking advantage of new technology, always doing the best job we can do on any project, and never giving up, no matter how bleak the moment." ■

CONNECTICUT

The Fletcher-Terry Co. (manufacturer of hand tools), Farmington; RESCUE Educational Services Center, Litchfield; Rapidprint Inc. (manufacturer of time and date stamps), Middletown; Helicopter Support, Inc. (logistic support services and manufacturing), Orange.

DELAWARE

Pro-Active Technology, Inc. (power-protection products and services), Newark; Travel Horizons Unlimited, Inc., Wilmington; Capitol Uniform & Linen Service, Inc. (dry cleaning and rental), Dover.

DISTRICT OF COLUMBIA

Professional Restoration, Inc. (building restoration).

FLORIDA

International High-Tech Marketing (computer hardware and software distribution), and Creative Staffing, Inc. (placement services), both of Miami; Fireservice, Inc. (fire/water restoration), Fort Myers; Indian River Canvas, Inc. (manufacturer of awnings), Merritt Island; Medical Technology Systems, Inc. (manufacturer of pharmaceutical packaging), Clearwater; Aetna Maintenance, Inc. (janitorial services), Tampa.

GEORGIA

Tom Wilheit Packaging Materials Co. (distributor), Gainesville; Medical Review Systems (a service to negotiate lower medical bills), Atlanta; America Megatrends, Inc. (manufacturer of computer components), and Software Technical Services, Inc. (consulting), both of Norcross.

HAWAII

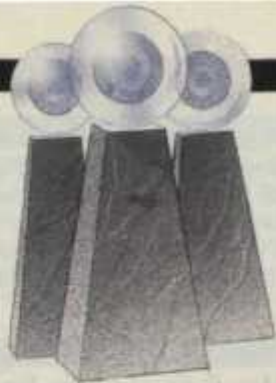
Spanier & Bourne Sailmakers, Inc. (designer of windsurfing equipment), Kahului; The Systemcenter, Inc. (business-management-systems sales and services), PBR Hawaii (landscape architecture services), and Maui Divers of Hawaii, Ltd. (jewelry manufacturer), all of Honolulu.

IDAHO

Ace Company-Manufacturing & Machine Works (metal-goods manufacturer), Boise; WASTREN, Inc. (environmental engineering), Idaho Falls; Rule Steel (manufacturer of storage tanks), Caldwell; Filler King Co. (manufacturer of beams and roof decking), Homedale.

ILLINOIS

Micro Overflow Corp. (technical services for people with disabilities), Naperville;



ENTERPRISE

Genesis Communications, Inc. (wiring and cabling service), Chicago; Graphic Solutions, Inc. (manufacturer of labels and nameplates), Burr Ridge; Air Comfort Corp. (heating, ventilation, and air-conditioning services), Broadview.

INDIANA

Bright Ideas in Broad Ripple, Inc. (advertising specialty products), and Wild Birds Unlimited, Inc. (franchisor of retail stores), both of Indianapolis; Squire Boone Caverns, & Village (tourist attraction), Corydon; Jasper Computer Center, Inc. (retailer), Jasper.

IOWA

GS Technologies, Inc. (pharmaceutical capsules manufacturer), Fairfield; Ag Services of America, Inc. (sells and finances farming products and services), Cedar Falls; American Media Inc. (producer of training videos), West Des Moines; Magnatech, Inc. (manufacturer of magnetic-field heaters), Bettendorf.

KANSAS

Wilson Building Maintenance, Inc. (maintenance services), Wichita; KTKA-TV/Northeast Kansas Broadcast Service (commercial television station), Topeka; Ace Personnel, Overland Park; CottageCare, Inc. (housecleaning-service franchisor), Prairie Village.

KENTUCKY

Patti's 1880 Settlement (restaurants), Grand Rivers; ECT Services (temperature controls), Louisville; Turner Publishing Co., (publisher of specialty history books), and GF3, Inc. (restaurants), both of Paducah.

LOUISIANA

Lewis Services (janitorial and lawn services), Lafayette; Tammany Supply, Inc. (wholesaler and retailer of plumbing supplies), Covington; Quality Wholesale & Supply, Inc. (janitorial services and supplies), and Landry Lumber & Building Supply Company, Inc., both of Luling.

MAINE

CHIPCO International Ltd. (manufacturer of casino gaming chips), Windham; Firstmark Corp. (consulting and financial services), Waterville.

MARYLAND

Orion Network Systems, Inc. (telecommunications services), and Technical Education Center, Inc.

(vocational school), both of Rockville; Working Smart, Inc. (personal-computer consulting), Frederick; Towne Park, Ltd. (parking management service), Annapolis.

MASSACHUSETTS

East Coast Seafood, Inc. (live-lobster distributor), Lynn; Gemini Industries Inc. (information systems and facilities management consulting), Burlington; MacTemps, Inc. (temporary personnel with computer skills), Cambridge; Suffolk Construction Company, Inc., Boston.

MICHIGAN

Robotron Corp. (manufacturer of resistance welding controls), Southfield; United Lighting Standards, Inc. (manufacturer of steel and aluminum light poles), Warren; Saturn Electronics & Engineering, Inc. (manufacturer of electronic products), Rochester Hills; Business Television Video Systems (audio/visual equipment sales and service), Walled Lake.

MINNESOTA

The Riverwood Cos. (conference center, restaurant, and resort), Monticello; Steinwall, Inc. (thermoplastic injection molding), Fridley; NEI Electronics, Inc. (electronics contract manufacturing), Blaine; Computer Network Technology Corp. (manufacturer of computer networking systems), Maple Grove.

MISSISSIPPI

Bankston's Paint Center Inc. (paint retailer), Biloxi; Divesco, Inc. (wholesaler of replacement parts for the nuclear industry), Jackson; Copy Cats Printing, Inc., Hattiesburg; C.C. Lynch & Associates, Inc. (environmental-technology sales and service), Pass Christian.

MISSOURI

Mark Andy, Inc. (manufacturer of printing presses for the packaging industry), Chesterfield; King's Beauty Supply Distributor, St. Louis; Physician's Home Health & Hospice Network (in-home nursing), Columbia; Hydro Systems Inc. (manufacturer and retailer of boat lifts), Sunrise Beach.

MONTANA

Timberline Northwest, Inc. (manufacturer of shut-off clamps), Columbia Falls; King Tool, Inc. (manufacturer of welding tools), Dana Design Ltd. (backpack manufacturer),

and Wild Flour Bakery Inc., all of Bozeman.

NEBRASKA

Task Lighting Corp. (manufacturer of low-voltage lighting systems), Kearney; Land and Sky (manufacturer of waterbed mattresses and flotation beds), Lincoln; Laser Options (laser cartridge management systems manufacturing and services), Omaha; Encore Manufacturing Company, Inc. (manufacturer of commercial lawn and turf equipment), Beatrice.

NEVADA

The Continuum-Nevada Communication Services (child and adult day-care and health-care services), and Pacific States Communications of Nevada, Inc. (telephone services and equipment), both of Reno; JB Chemical Company Inc. (distributor), North Las Vegas; Martin-Harris Construction (general contractor), Las Vegas.

NEW HAMPSHIRE

Landmark Title, Inc., Manchester; Customer Perspectives (evaluates customer service), Hooksett; Waterville Valley Lodging, Inc. (hotel and condominium management), Waterville Valley; ControlAir Inc. (manufacturer of precision air-pressure regulators), Amherst.

NEW JERSEY

Gale & Wentworth (real-estate developer), Florham Park; Anadigics, Inc. (manufacturer of integrated circuits), Warren; Speciality Steel & Forge, Inc. (manufacturer of steel products), Fairfield; IMEDIA (high-technology marketing), Morristown.

NEW MEXICO

Bradbury & Stamm Construction, McBride and Associates, Inc. (computer services), and Western Building Supply Company Inc., all of Albuquerque; Jackalope (retailer of imported pottery and folk art), Santa Fe.

NEW YORK

800-Flowers (seller of flowers and gifts by telephone), Westbury; Communications Specialties, Inc. (manufacturer of computer video peripherals), Hauppauge; Tri-Seal International, Inc. (plastic extrusion products), Blauvelt; Higbee Gaskets and Sealing Products, Inc., Syracuse; The Gift Basket Emporium, Inc. (retailer of gift baskets), Merrick;

United Dividers, Inc. (manufacturer of corrugated partitions for packaging), Elmira.

NORTH CAROLINA

Carolina Fine Snacks (snack-food manufacturer), Greensboro; Southern Lithoplate Inc. (manufacturer of offset lithographic printing plates), Raleigh; Techstyles, Inc. (manufacturer of garments for sterile environments), Hickory; TeleData Services, Inc. (telecommunications services), Winston-Salem.

OHIO

Dry Cleaning Operations, Oregon; AccuSpray, Inc. (manufacturer of spray equipment), Cleveland; DIFCO, Inc. (manufacturer of specialty rail cars), Findlay; Spirit Rent-A-Car, Warrensville.

OKLAHOMA

Guthrie Corp. (transporter, warehouse, and distributor of dry bulk commodities), Guthrie; EDECO, Inc. (engineering and construction services), and Maxwell/Healthcare, Inc. (health-care personnel placement), both of Tulsa; Homer Miller Co. (advertising and marketing services), Oklahoma City.

OREGON

The Empire Co. (manufacturer and retailer of uniforms), Chown Hardware (wholesale distributor), and Trail Blazers, Inc. (owner of Portland Trail Blazers basketball team), all of Portland; Advanced Information Solutions, Inc. (computer consulting), Lake Oswego.

PENNSYLVANIA

Trau & Loevner, Inc. (sports apparel manufacturer), Pittsburgh; CocoTech, Ltd. (cocoa manufacturer), Media; Haleyville Manufacturing Company of Bloomsburg (manufacturer of draperies and bedspreads), Bloomsburg; Valley Toy Distributors, Inc., Orangeville.

PUERTO RICO

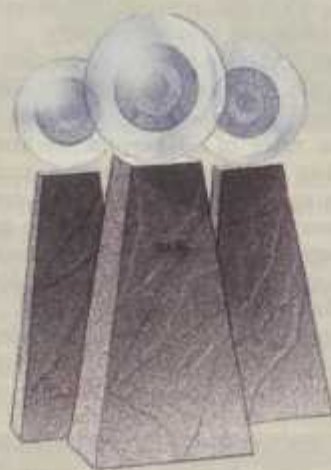
Emma's Beauty Academy (educational services), and Solstar Corp. (travel agency), both of Mayaguez; Hoyos International Corp. (supercomputer and software development services), Hato Rey; Farmacia San Jose (drugstore), Santurce.

RHODE ISLAND

Hurd Buick-GMC Truck, Johnston; JVR Communications, Inc. (public relations), Bristol; American Industrial Casting, Inc. (manufacturer of cast components), Cranston; Lloyd Manufacturing Corp. (manufacturer of elastomeric films), Warren.

SOUTH CAROLINA

The Fifth Season (home-furnishings retailer), Mount Pleasant; General Engineering Laboratories, Inc. (environmental consulting), Charleston; Perception Inc. (kayak manufacturing), Easley; Rackes (women's clothing retailer), Columbia.



SOUTH DAKOTA

Lust Chevrolet-Buick-Geo, Aberdeen.

TENNESSEE

Stones River Utilities, Inc. (electrical services), Nashville; Matrix Exhibits, Inc., Brentwood; Anita's Travel Station (travel agency), Jackson; BioVentures, Inc. (manufacturer of biomedical research products), Murfreesboro.

TEXAS

Choctaw Enterprise Inc. (industrial supplier), Galena Park; Allied Health Services (nurse staffing agency), Equal Net Communications, Inc. (telephone long-distance resale service), Endicott, Inc. (manufacturer of aluminum patio covers), G.B. Tech, Inc. (aerospace engineering and information systems), and Pineforest Jewelry/PFJ Inc. (wholesale and retail jewelry), all of Houston; Blue Whale Moving Company, Inc., Austin; Big Hand (producer of interactive multimedia programs), and Two Podners Restaurants, both of Dallas; Watkins Carter Hamilton Architects, Inc., Bellaire.

UTAH

A-1 Pioneer Moving & Storage, and Teltrust, Inc. (telecommunications services), both of Salt Lake City; San Juan Assembly, Inc. (contract electronics manufacturing), Blanding; Phone Directories Company, Inc. (publishing), Orem.

VERMONT

Rhino Foods, Inc. (food-products manufacturer), and Professional Postering & Distribution (distribution of posters, brochures, and publications), both of Burlington; Hawley Associates, Inc. (retail florist), Rutland; Specialties Unlimited Inc.-PinSource (promotional products and lapel pins dealer), South Burlington.

VIRGINIA

Virginia Semiconductor, Inc. (manufacturer), Fredericksburg; Rowena's, Inc. (manufacturer and retailer of gourmet food products), Norfolk; Kathy's Produce, Charlottesville; Peoples Income Tax, Inc. (financial services), Richmond.

WASHINGTON

Beall's Roses (wholesaler and retailer), and The Employment Paper (an employment-advertising newspaper), both of Seattle; McGowan Advertising, Tacoma; Hilander Bowl & Restaurant, Kelso.

WEST VIRGINIA

Touchstone Research Laboratory, Ltd. (applied-research laboratory), Triadelphia; Alamco, Inc. (natural-gas and oil development and extraction), Clarksburg; Azimuth, Inc. (electrical and software engineering services), Morgantown.

WISCONSIN

NorthWord Press, Inc. (book publisher), Minocqua; Sun Cleaning Systems, Inc. (janitorial services), Milwaukee; Country Inn Hotel & Conference Center, Waukesha; Madison Pre-hung Doors and Pre-Finishing (construction and manufacturing), Oregon.

WYOMING

CollectionCenter (collection agency), Rawlins.

Family Business

Mobilizing for the future; handling the stresses at the top; coping with a fractured marriage.

OBSERVATIONS

Fighting "Confiscatory" Estate Taxes

By Sharon Nelson

In a column early last year, I urged family-business owners to exercise their political power by organizing themselves for long-range action to educate their various publics—including government leaders—on issues of specific concern to family-owned companies.

Since then, Robert L. Spence, the third-generation president of Pacific Lumber & Shipping Co., in Seattle, has launched the Committee To Preserve the American Family Business. His goal: the restructuring of federal estate taxes so they don't destroy family firms.

"The big problem with the estate tax is that it doesn't change with changing conditions," says Spence, who so far has lined up about 10 companies from Washington, Oregon, and Idaho to work with him.

The new group has three goals:

- To inform the general public of the critical role of family businesses in the economic health of our nation;
- To make Congress aware of the need to provide relief from the onerous estate-tax structure; and
- To achieve a shift from the governmental view of family businesses as short-

term sources of revenue for the federal government to an understanding of them as long-term resources vital to America's economic health and productivity.

It didn't escape Spence's attention last year when, at President Clinton's behest, Congress reinstated the top estate- and gift-tax rates of 53 percent on taxable transfers between \$2.5 million and \$3 million and 55 percent on taxable transfers over \$3 million; the rates were made retroactive to Jan. 1, 1993. The federal estate and gift tax had been scheduled to be reduced to 50 percent after 1992.

Spence's committee holds that the estate tax is "confiscatory." The lumber company president contends that it is destructive of this country's most dynamic and competitive businesses—privately held medium-sized companies. When such businesses must be transferred because of an owner's death, he says, estate taxes are so high that often all or parts of them must be sold to pay the taxes—even a company the size of his own, with 580 employees and annual sales exceeding \$300 million.

When you have to break up a company in order to get a fair price, says Spence,



"you destroy the infrastructure of the communities you're involved with." That is a terrible price, he says. The new owners—usually larger companies—are less likely to be loyal to the local community and more likely to go offshore. Of family-business owners, he says: "We are local people, and we've got an interest in the infrastructure. We live right in it."

Spence decries the short-term thinkers who worry about revenue that would be lost from reducing the estate tax. He says they're not recognizing "revenue that might be generated if they didn't destroy businesses and actually helped create an incentive to expand them."

The committee has retained a public-relations firm, an attorney, and a political strategist. It has also drawn up a "white paper" outlining its position.

For more information, contact the Committee To Preserve the American Family Business, c/o Jill Mackie, Pacific Lumber & Shipping Co., P.O. Box 21785, Seattle, Wash. 98111.

As I said over a year ago, family-business owners need to exercise their collective power.

Here's your opportunity.

PLANNING

The Burdens Of Ownership

By Craig E. Aronoff and John L. Ward

Virtually every owner of a successful family business at one time or another asks, "Is this worth it?" Some ponder that question daily. Despite the benefits of business success, the challenges of melding family and business can be daunting. The burdens are real.

While the public perceives the advantages and privileges of ownership, we think it's helpful and important for those in—and out of—family businesses to also appreciate the weight of responsibility and the demons of doubt borne by so many family-business leaders.

While others think that business owners are rich, the owners themselves rarely

feel that way. They often feel financially insecure. They are at risk, their personal assets backing bank loans to the business. Taxes seem onerous and unfair: While an owner is trying to make sure there is enough money to support business goals, the family often pressures for money to meet its ever-rising expectations.

The competition between business and family not only for money but also for time, attention, and emotional energy is a source of many burdens. As one family-business leader put it, "Wearing two or three hats all the time will give you a real headache."

We often hear family-business leaders



PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

say, "If I didn't care so much!" Indeed, perhaps the most prevalent burdens are the stress and the time demands associated with caring deeply and intensely. Consider the following dilemma of a family-business successor:

"I feel like I'm working at least a job and a half. In addition to doing everything I'm supposed to do as an employee, I have to work even harder because, as an owner, I care so much about the company. I feel guilty if I don't fix everything that I see is wrong. If I don't attend to something, I worry that employees will think I don't care; then they won't care!"

Family members not active in the business rarely fully appreciate these burdens. It's our view that, in most instances, family members outside the business underestimate the emotional load carried by those family members who are in the business.

We're not just talking workload. Successors in the business worry about whether they are satisfactorily protecting the interests of all the family members. They feel stress from the realization that their mistakes not only are expensive but also may risk their family's legacy and reputation.

Many owners also feel a deep responsibility to employees. They agonize over employee selection, development, and well-being. Many see employees as members of an extended family and act accordingly. Any layoffs that become necessary are done in pain after a period of real anguish.

Business owners also have to deal with community expectations. Many charitable requests come in, for example, and may have to be turned down at the risk of offending friends.

High visibility is also a burden. We've known families that have changed their family name or their company name or location in hopes of obtaining some privacy and anonymity.

Being a family business also raises some issues of possible conflicts of interest. Should a business owner curb his or her entrepreneurial instincts and not invest personally in suppliers or customers if the opportunity arises? If there are other family shareholders, perhaps so. Often it is necessary to ignore personal opportunities and the chance to increase personal wealth and income for the sake of the business and as a precedent for future generations.

Business ownership can also prompt tensions with spouses. Practical advice may urge a prenuptial agreement to protect the business, but often with pain to the newlyweds.

Spouses must also live in the light of public expectations. "I'm expected to be perfect ... always 'on,'" one wife complained. "I have to represent the family at lots of events. I have to deflect those who



ILLUSTRATION: DAVID CHEN

are looking for gossip about the business, and I feel awkward when I walk into the business; all eyes are on me."

Why would a family put up with these burdens? We hear several answers—some good, some not:

■ "I'm expected to join the business and to carry on ownership. If I didn't, I'd feel like I'm rebuking my parents' wishes

for me." Such thinking is very negative.

■ "Passing on the business is sure better than the alternatives. I'd be afraid our kids might be spoiled by wealth if we sold." This reasoning misses the point: Someday all children of successful business owners will have some privileges. The sooner they learn to cope with wealth and position, the better.

■ Many families wish to carry their businesses on for the challenge of it. They argue that the challenge will strengthen the family, and that succeeding against tough odds is rewarding and fun. We think so, too.

■ Some families want to share the business as an example or model of how to help society. This is, we think, the most compelling and sustainable reason. Families that do this share with their children a sense of motivation and mission, of being something important and greater than any one individual.

So, with family-business ownership come a number of burdens. We hope that those family members who are not employees appreciate the extra load carried by family members in the business.

We also hope that the owning family explicitly defines the special meaning and value that ownership holds for the family. The more compelling the mission of the family and the business, the less burdensome ownership feels.

MARK YOUR CALENDAR

March 3, Weston, Mass.

"The Sweet Success of Family Business: What Makes It Work and What Doesn't" is sponsored by the Northeastern University Center for Family Business. For more information, call Debbie de Carvalho; (617) 320-8000, Ext. 8014 or 8015.

March 28, Cleveland

"Controlling Health Care and Benefits Costs in Family Businesses" is an evening meeting for CEOs sponsored by the Baldwin-Wallace College Family/Small Business Institute. Contact Tom Monroy or Don Jonovic; (216) 826-5927.

March 31, Chicago

"Strategic Coaching To Bring Out the Best" is an evening meeting for owners, successors, and other family members who are active in the business. For more information, contact Karen Wilger at

the Midwest Association of Family Business Owners; (708) 495-8900.

April 7-9, Cleveland

The "Third Annual Family Business Conference" addresses such topics as "Succession Planning for the '90s," "Building Credibility in Successors," and "The New Tax Code and Family Business." Call Tom Monroy or Don Jonovic at the Family/Small Business Institute at Baldwin-Wallace College; (216) 826-5927.

May 5, Ann Arbor, Mich.

"Family Business Succession Planning: The Human Aspects" is a seminar for family-business owners and managers. Contact Sullivan & Sullivan, 455 E. Eisenhower Parkway, Suite 210, Ann Arbor, Mich. 48108; (313) 769-8000.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.

CASE STUDY

Facing The Threat Of A Divorce

Jane and Tim Ford, now in their early 50s, started Ford Jewelry, a retail business, 20 years ago, and it is now a thriving store in an exclusive mall. Jane has managed the finances and administration, and Tim has been responsible for sales and public relations. Their daughter, Marcia, 27, works full time as a clerk in the store.

While Jane and Tim have always worked together effectively, their marriage has been stormy for years. Jane is reserved while Tim is very friendly and outgoing—too friendly, from Jane's point of view. She had suspected him of having numerous affairs over the years, and she has now discovered that Tim is in fact involved with another woman.

Hurt and angry, Jane has threatened to



ILLUSTRATION: DAVID CHEN

divorce Tim. But Tim wants to keep the marriage together and has promised to stop seeing the other woman.

As they have talked about the possibil-

ity of a divorce, it has become evident that each would like to continue with the business. However, that would probably require one of them to buy out the other. For Jane, it's a major dilemma. She has come to recognize that she and Tim complement each other in the business in a way necessary to maintain the growth of their firm. The problem is further compounded by the couple's recent expansion of the business through the assistance of a silent partner.

Tim and Jane also disagree about Marcia's role. Jane doesn't see Marcia as being serious about her future in the company, while Tim would like her to be groomed for future management.

Jane wants to know, realistically, what her options are. Tim wants both the marriage and the business to continue. Marcia wants to continue working in the company, but she is confused by her parents' differing attitudes toward her.

What can the Fords do?

Take Time To Reflect

When people blend their lives together as intensely as most family businesses require, they often lose perspective on where they stand and where they are going as individuals. Jane, Tim, and Marcia each need to reflect about their lives.

Jane has a lot of things to sort out: Is she ready to give up on her marriage, or does she want to try, under certain conditions, to revive it? If she decides to get divorced, does she feel that a "business divorce" is necessary as well, or could she and Tim remain business partners? What aspects of her life are most important to her? What best- and worst-case scenarios does she envision, and what can she do about them?



Vivien Blackford, a family-business consultant in East Haddam, Conn.

PHOTO: BOOM FUROR

Tim should ask himself similar questions. Marcia, at age 27, may be too young to know what she wants from her life in the long run, but she can define personal and career goals for the next few years. Experience in other employment settings can help her evaluate what her parents' business offers her and what she can contribute to it.

Because these issues of personal goals and priorities have become embroiled in conflict between Jane and Tim—and, to some extent, with Marcia—conversations among them on these topics should be conducted carefully. Talks at delicate times like these can make or break relationships.

Tim and Jane should plan how to proceed in marriage and business on the basis of their careful understanding of each other's goals and priorities as well as their own. They should also discuss with Marcia what each would want from a successor and what Marcia expects to give and get from the business. If there is good potential for a fit, they should decide on reasonable next steps for Marcia's development and on standards of performance.

Focus On The Major Issue

Jane and Tim are spinning in an emotionally charged whirlwind, typical in the early stages of explosive conflict. The cycle includes destruction from the detonating event (Tim's affair); confusion over what options are available; and tension resulting from the lack of clarity. The cycle may become more intense if positive steps are not taken.

First, Jane and Tim need to seek professional help. I would recommend a marriage counselor who deals with family-business cases.



Timothy G. Habbershon, director, the South Dakota Family Business Initiative, University of South Dakota School of Business, Vermillion, S.D.

Second, they should focus on resolving the "front-line" issue—their marriage. I believe this couple should explore restoration of the marriage since Tim has expressed a desire to preserve it and Jane has not ruled out this option.

Third, Jane and Tim should account for the assets in this situation: Their company is thriving, they are good business partners, they have a daughter who knows the business, and they are open to working on the marriage.

Finally, Jane and Tim should develop a plan to deal with the complicating family-business issues while allowing them to focus on the marriage. For example, they can:

- Concentrate only on the critical day-to-day business demands and give Marcia a managerial job to free their time and energy while testing her seriousness for the future;
- Establish a one-year action timetable, with periodic evaluations to assess the strategy and progress;
- Set a final decision date and have an agreed-upon course of action for developing a long-range plan; and
- Inform their silent partner about the process and invite that person to make input when the long-range planning begins.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute. Identities are changed to protect family privacy. This month's editor is Sharon Cottor, a consulting partner in the Family-Business Roundtable, in Phoenix. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

Free-Spirited Enterprise

By Janet L. Willen

Dial A Word

If you'd like to turn your seven-digit phone number into a catchy phrase, try a computer program called 1-800-DIAL-WORD. It is designed to spot hidden words in phone numbers and is produced by the A.C.S. Software Division of Actuarial Consulting Services, in Cherry Hill, N.J.

After installing the program, type your seven-digit phone number and press the enter key. The program searches for words using all or some of the seven digits. You can view the matches on the screen or on a printout.

You can also develop a number that spells a word by typing in a three-digit exchange available in your area and experimenting with various combinations. Your phone company can tell you if a number is available.

The software runs on IBM-compatible computers and costs

airline travel—on the ground and in the air. It describes how planes work, the noises you're likely to hear while airborne, and the clouds and colors you may see from a plane window.

Still tense? Follow instructions for relaxation exercises. The book also walks you through buying tickets, checking in, and making connecting flights.

The book is published by Corkscrew Press in Los Angeles and costs \$5.95. For more information, call 1-800-243-0495.

Not For Money Only

Further evidence that the cashless society is upon us comes from Global Telemedia, of Miami.

The company's Tele-Saver machine works like an automated teller machine but dispenses a long-distance telephone debit card, called the Tele-Saver Card.

Retail or other businesses install the 1-cubic-foot, 13-pound machine, and their customers can use major credit

cards to buy the debit card. Toll calls are restricted to the amount on the debit card.

A customer first dials an 800 access number and then a personal identification number, both of which are printed on the card. A recorded voice tells the caller the amount remaining. Domestic calls cost 50 cents a minute. International rates vary. The caller then dials the number, and the card is automatically debited. The Interactive Telephone Co., in New York, processes the calls. Businesses may lease or purchase the machine from Global Telemedia, which provides the cards.

For more information, call (305) 597-8988. (To learn about other phone debit cards, see *Managing Your Small Business* in the January issue of *Nation's Business*.)

Times Of Your Life

Do you plan your presentations carefully but still run

spend on different segments of a presentation and then program the Pacesetter to let you know when each segment should end. The Pacesetter lets you know when time is up with your choice of a vibration, a beep, or a light. The Pacesetter costs \$95. For more information, call (404) 343-8249.



Back To Basics

For those times when not just any power tie will do, Stonehenge, Ltd., of New York, suggests that you get down to essentials.

Ties from the company's Molecular Expressions Vitamin Collection depict the molecular patterns of vitamins. Stonehenge bases the patterns on photographs of vitamins that were liquefied, recrystallized, then put under a microscope.

The collection includes the structural images of vitamin B1, vitamin C, vitamin D, vitamin E, folic acid, vitamin K, biotin, and PABA.

The ties are made of silk and come in various colors. Prices range from \$25 to \$30. Some of the proceeds will go to the National High Magnetic Field Laboratory at Florida State University, where the photographs of the molecular patterns were made. For more information, call (212) 947-0290.

16



\$29 for the program, manual, and user support. For more information, call 1-800-DIAL-WORD, or 1-800-342-5967.

Up, Up, And Away

Travelers who leave their courage on the ground when they take to the sky may find comfort in *How To Fly: Relaxed & Happy From Takeoff To Touchdown*, by Natalie Windsor.

The illustrated guidebook presents ideas to help passengers minimize the trials of



beyond your time limit? The Pacesetter Time Manager, from Interactive Solutions, of Alpharetta, Ga., is designed to help keep track of time.

The Pacesetter is a pager-sized timer that can be worn on a pocket or belt. The gadget has a row of seven, small, colored lights along the top of its face and a 1-by-2-inch display that shows the number of minutes that have elapsed.

You estimate how long you want to

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

OWNERSHIP

Buyer, Be Informed

I'm looking for a book that will give me some basic information on what is involved in buying a small business. Any suggestions?

W.B.B., Tucson, Ariz.

Try *The Complete Guide to Buying a Business* (AMACOM), by Richard W. Snowden. He specializes in business sales and acquisitions at Evergreen Associates, a management consulting firm in Portsmouth, N.H.

"If you approach the job of finding the right business for you with due diligence, the odds are excellent that you will find a company that has a high likelihood of long-term success under your directorship and the potential for excellent financial return as well," Snowden says.

In his book, Snowden advises would-be entrepreneurs to take the time to determine their knowledge, skills, and temperament and to seek a business that can maximize their strengths. Tips on evalu-



ILLUSTRATION: MARTHA WILKINSON

ating a company's financial prospects are included. There is also a section on calculating a company's sale price, negotiating a deal, and working with accountants, lawyers, and other advisers.

Priced at \$24.95, the book is available through the publisher by calling 1-800-262-9699. Refer to ISBN #0-8144-5158-6 when ordering.

RECORD KEEPING

Crunching The Numbers

I run a sole proprietorship, and I can't afford an accountant. Is there a book that can help me do my own record keeping?

K.R., Frankfort, Maine

A book that might be useful is *Keeping the Books* (Upstart), by Linda Pinson and Jerry Jinnett. The 200-page paperback covers the basics of setting up a record-keeping system that is retrievable and verifiable. Included in the text are chapters on general records, budgets, balance sheets, and profit-and-loss statements. There is also a section on financial statement analysis.

The book also contains a section on record-keeping schedules, including what blank forms to use.

Taxes are also covered for sole proprietorships, S corporations, and C corporations, along with a calendar of federal tax requirements. Income and estimated taxes are discussed, and a list of tax references is included.

The book, which costs \$19.95, is available at most bookstores. Or write or call the publisher at the Small Business Publishing Co., 12 Portland St., Dover, N.H. 03820; 1-800-235-8866.

AGRICULTURE

Aspiring To Asparagus

I want to raise asparagus to sell to restaurants. I need basic information.

J.G.G., Apopka, Fla.

An Ohio State University bulletin, *Asparagus Production, Management and Marketing*, offers a step-by-step approach. The bulletin may be ordered for \$6 by contacting the authors, Carl Cantaluppi or Robert Precheur, at Piketon Research and Extension Center, Ohio State University, 1864 Shyville Road, Piketon, Ohio 45661-9749; (614) 289-2071.



PUBLIC RELATIONS

Communicating Under Stress

I own a small company that gets a fair amount of local news-media attention. So far, the press coverage has been good, but what can I do to prepare for a time when my company might find itself in a crisis?

R.S., Medford, Ore.

"The list of things that can go wrong in the business world is growing daily," says Alan Caruba, a public-relations counselor in Maplewood, N.J. "Most enterprises are totally unprepared to deal with the havoc that a crisis event can wreak."

Caruba outlines steps that a company can take to be prepared to communicate with the media and the public if a crisis occurs.

Among his suggestions:

- Establish a crisis-control policy, determining who will be the spokesperson in the event of a crisis.

- Maintain an updated media contact list so you can get your statements and responses out quickly.

- Be sure your company has an updated fact sheet.

- Respond quickly.

- Designate one office as the clearinghouse for communications activities.

- Be courteous and diplomatic in all contacts with the news media.

"The only public relations that works is the truth, but you have to be both proactive and prepared when trouble strikes," Caruba says. His booklet, *Don't Panic! An Instant Guide to Crisis Communications*, costs \$5 and may be ordered by writing or calling the Caruba Organization, Box 40, Maplewood, N.J. 07040; (201) 763-6392.

See also "Handling A Crisis Effectively," in the December 1993 issue of *Nation's Business*. To order a reprint, send a written request for No. 8984 along with a check for \$1.99 to *Nation's Business*, Reprint Manager, 1615 H Street, N.W., Washington, D.C., 20062-2000.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102.

Writers will be identified only by initials and city. Questions may be edited for space.

COOPERATIVES

Strength In Numbers

What are the benefits and pitfalls for a small-business owner like me in forming a cooperative?

A.Q., Madison, Wis.

A cooperative is a business that is owned and controlled by those who use its services. A cooperative "must offer clear economic advantage and immediately enhance the profitability of members, or it will fail," says Terry Simonette, president of NCB Development Corp., an organization based in Washington, D.C., that provides financing for cooperative ventures. "If you can't add value, don't start it."

There are several types of such groups. They include purchasing co-ops, marketing co-ops, service co-ops, and employee-owned co-ops.

The National Cooperative Bank, the parent affiliate of NCB Development Corp., has published a brochure, *How To Organize a Cooperative*. The publication covers the basics of co-ops, including start-up, management, and potential financial and legal concerns.

The brochure is free. For more information, contact NCB Development Corp., P.O. Box 96812, Washington, D.C. 20090-6812; (202) 745-4670.

ASSOCIATIONS

For The Security-Minded

I am a professional investigator and industrial-security consultant. My operation is quite small, and I am interested in finding an association that represents my field of expertise. Can you help?

J.W., Lafayette, La.

The American Society for Industrial Security is a nonprofit trade association

whose members include professionals from the security and private-investigation industries.

The organization offers a wide range of educational support for its members through seminars, workshops, and books and manuals.

For information on joining, write or call the organization at 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209-3198; (703) 522-5800.

SERVICES

The Goods On Dry Cleaning

I have a dry-cleaning business, but I am new in this field. How can I better learn the ins and outs of the dry-cleaning industry?

D.S., Valdosta, Ga.

The International Fabricare Institute offers a wide range of information to its members, which include manufacturers and suppliers of cleaning equipment, garment manufacturers, and retailers, as well as dry cleaners.

Technical and industry studies on the laundry and dry-cleaning industries can be found in four publications put out by the organization. They are *Fabricare News*, *Focus*, *Clothes Care Gazette*, and *Special Reporter*.

For more information, write or call the International Fabricare Institute, 12251 Tech Road, Silver Spring, Md. 20904; (301) 622-1900.



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To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Janet L. Willen

Peptic Ulcers: Cause, Treatment

Whether you work at a highly stressful job or spend your days on the golf course, you may fall victim to a peptic ulcer.

The culprit will probably not be the pressure of the job or the game but an S-shaped bacterium called *Helicobacter pylori* (*H. pylori*), which is most likely spread from person to person.

Peptic ulcers are sores or lesions that usually occur in areas of the gastrointestinal tract where hydrochloric acid and the enzyme pepsin are present. The ulcers that form in the stomach are called stomach, or gastric, ulcers, and those that form in the lining of the duodenum (the upper part of the small intestine) are called duodenal ulcers.

Typically ulcers cause a gnawing or burning pain in the upper part of the abdomen. The pain may last from a few minutes to a few hours.

Dr. Theodore Bayless, medical director of the Meyerhoff Center at Johns Hopkins Hospital, in Baltimore, says, "An estimated 5 to 10 percent of men will have an ulcer in their lifetime." A report from the National Institutes of Health says duodenal ulcers, which make up about 80 percent of peptic ulcers, affect men more often than women and typically first appear in people between the ages of 30 and 50. Stomach ulcers usually affect people over 60 and occur more frequently in women.

For decades, conventional wisdom tied peptic ulcers to stress. Smoking, drinking, and rich food were also blamed for an oversecretion of acid. Dr. Barry Marshall called these theories into question at a meeting of specialists on infectious disease in Brussels, Belgium, in 1983. At the time a resident in internal medicine in Perth, Australia, Marshall said a bacterium discovered by Dr. J. Robin Warren, a pathologist in Perth, is the underlying cause of most peptic ulcers.

Marshall thought the implication of the finding was great. If the cause was a bacterium, a cure could be found. He had already killed the germ in the test tube.

Resistance to his report was widespread, says Marshall, now an associate professor of internal medicine at the

University of Virginia Medical School, in Charlottesville. But today most researchers agree that there are two major causes of ulcers: *H. pylori* and long-term use of nonsteroidal, anti-inflammatory drugs (NSAIDs), such as ibuprofen and aspirin.

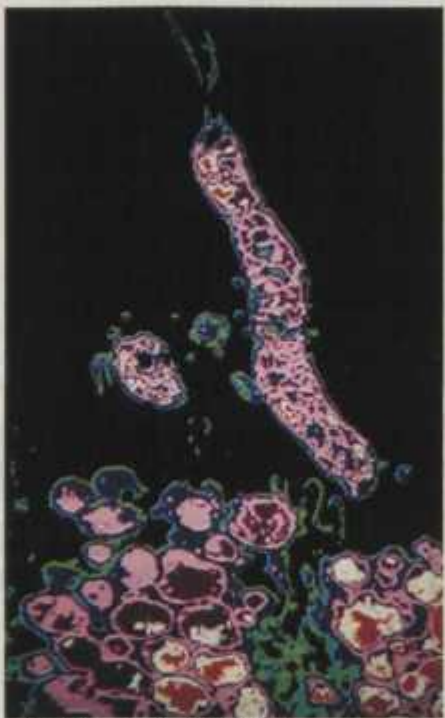


PHOTO: SHOWNARD BOCHUPEN—MEDICAL IMAGES, INC.

A bacterium known as *Helicobacter pylori* has been found to cause ulcers.

Studies show that as many as 90 percent of people with duodenal ulcers and 70 percent of people with stomach ulcers have *H. pylori*.

The *H. pylori* bacterium secretes an enzyme that enables it to survive in the highly acidic stomach. The bacterium adheres to the stomach's lining, where it causes tissue damage and inflammation, which can lead to ulcers. Even in people who do not have ulcers, Marshall says, "When you see *Helicobacter*, you always see inflammation."

Dr. John Walsh, who is director of the Center for Ulcer Research in Education (CURE) at the University of California at Los Angeles, says *H. pylori* "plays a central role in peptic ulcers." He says about two-thirds of Americans are not infected with *H. pylori*, and "almost none"

of them will get a peptic ulcer unless they regularly use NSAIDs, which weaken the ability of the stomach and duodenal linings to resist acid damage. Of the one-third of Americans who have the bacterium, about 20 percent will get an ulcer.

Why 20 percent and not all? Dr. David Graham, chief of gastroenterology at the Veterans Affairs Medical Center in Houston, says, "We don't know what leads one person to get ulcers and another not to."

Because having the bacterium does not always lead to ulcers, some researchers believe diet, heredity, and lifestyle are contributing causes. Some are not ready to discount stress.

Bayless of Johns Hopkins says "stress can affect gastric secretion, and a person under stress makes more acid." A problem in determining cause, he says, is that it is hard to isolate certain factors and test for them. But Graham says that the exact mechanism that causes ulcers, although important intellectually, is of less interest "now that we know we can cure it."

The traditional treatment for ulcers is an acid blocker, like Tagamet, Zantac, or Pepcid. Although an acid blocker is usually effective as long as the patient continues to take it, the relapse rate, once use is discontinued, is about 80 percent within a year, according to Graham.

A team led by Graham did a clinical study of ulcer patients; they were treated with two antibiotics and bismuth subsalicylate (an ingredient in Pepto-Bismol) for two weeks. At the two-year follow-up, reported last year, only 12 percent of patients with duodenal ulcers and 13 percent of those with stomach ulcers had a relapse. Other studies show similar results.

But use of antibiotics is not a common therapy. That is because, Graham says, most doctors get their information on new treatments from drug companies and there are no drug therapies approved by the Food and Drug Administration for use against *H. pylori* in ulcer patients.

Antibiotics cannot be the whole answer, in any event, Walsh says, because some people are resistant to antibiotics, and some antibiotics have side effects.

Right now, questions remain over treatment, but there is widespread agreement on one point: Ulcer patients should raise the issue of *H. pylori* with their doctors.

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

CREDIT CARDS

The Invasion Of The Identity Snatchers

Each year, according to experts in the field, credit-card fraud results in \$2 billion in losses worldwide, as crooks find ingenious ways to steal unwary cardholders' identities.

The obvious way is to lift your credit-card number and expiration date from sales receipts discarded in trash cans at supermarkets, gasoline stations, and malls. These thieves are called "Dumpster divers." Others, who get a peek at your personal identification number as you punch it in at automatic tellers or supermarket checkout counters, are called "shoulder surfers."

All these thieves start by getting your name and credit-card account number. Some might call to get your address, offering an excuse such as a delivery was misplaced or you won a prize. Then they may go on a spending spree at stores. Or they might place telephone orders for expensive merchandise from catalog companies, directing the goods to phony addresses. This is why you should check your monthly credit-card statement line by line for suspicious entries.

It takes time for a thief to work from credit-card receipts, however, and there



PHOTO: 2008 DAEMERICH-UNPHOTO

Be wary of potential charge-card fraud.

is always a threat of getting caught receiving the stolen goods. A new breed of high-tech crook is using relatively easy access to credit-bureau reports to construct mirror identities with other card issuers.

A lot of people now have access to credit terminals. Clerks can call in to get instant credit checks, and personnel offices can

get your records to screen job applications. The list is endless. Your credit report contains all the information crooks need, and then some. It has your credit accounts, your name and address, your Social Security number, and other pertinent information needed to set up false accounts in your name.

"These days, you have to keep an eye on who is making inquiries," says Charlotte Rush, vice president for public affairs with MasterCard. "You should get a look at your credit report at least once a year, if not twice a year."

"Someone might be opening card accounts with banks you don't even know about," says Linda Golodner, president of the National Consumers League, in Washington, D.C. You won't hear about it until you open a new account or a collection agency starts calling about mysterious bills that are long overdue.

Copies of your latest credit-bureau statements, which could show if any unauthorized inquiries are being made, are available from three major reporting companies: Equifax, 1-800-685-1111; Trans Union, (215) 690-4909; and TRW, 1-800-682-7654. You can get a free MasterCard pamphlet, *Defending Yourself Against Credit Card Fraud*, by calling 1-800-999-5136.

TRAVEL

Shopping For The Best Rental-Car Rates

Depending on the location, some car-rental companies are offering special weekend rates that cut the regular daily price by as much as one-third. But finding the best weekend rate in any given city can be tricky, and even then it may not be the best rate available for a car. "With discount coupons and other incentives, you might get a discount off the regular rate that's better than the weekend rate," says David Perelman, president of DMS Travel, a New York-based travel agency.

And then there are companies that discount the already lower weekend rate. "We have a deal with Hertz that gives you an additional 10 percent off with your AAA membership card," says Tom Wilt, director of market development for the American Automobile Association.

Moreover, according to Perelman, "some smaller rental companies' regular rates might be better than the bigger companies' weekend rates—even when they have additional discounts."

He gives this example for one Florida location: The rate for a major company is \$36.99 a day. For a smaller national company it's \$33.99, and for an even smaller regional company it's \$27.59.

A lot depends on the location. If it's a predominantly business environment, such as Chicago, Cleveland, or St. Louis, you might get a better rate from the bigger companies because most of their customers are business people who need cars during the work week. On the weekends, they've got a lot of cars to rent.

In vacation areas that feature sun, snow, or other leisure attractions, the situation may be reversed. You might get a better rate during the "off-peak" work days. Or you might get a better weekend price from a small company that finds it tough competing with the big names for the leisure business.

No matter what location or what rate you're going after, AAA's Wilt says, "you should always have a confirmed reservation and bring the confirmation number with you when you pick up the car." Rental companies have cut down their fleets and thus may not have the car you want when you want it. Without a confirmation number, you might be out of luck.

"Because there are so many rates and so many conditions for those rates, you should let an experienced travel agent do the search for you," says Perelman of DMS Travel. Agents, he says, know the rates for scores of companies and may even have coupons you can use to get bigger discounts.



Peter Weaver is a Washington-based columnist on personal finance.

LIFE INSURANCE

When It's Difficult To Get Coverage

If you or someone in your family has been rated uninsurable or hard to insure (with the result that premiums would be exceptionally high), don't give up hope. "Many of these people can get life insurance at an affordable price if they know how to go about it," says Jim Feek, president of James Feek Corp., a Seattle insurance agency.

"Some companies want to insure people with health problems," says Gary Dworkin, president of Dworkin Associates, a Rochester, N.H., insurance brokerage firm.

Both Feek and Dworkin say the key is getting the right agent, brokerage firm, or financial planner to shop a number of insurers.

"If someone just represents one or two companies," says Dworkin, "you're limited to what they offer." By spreading your net to cover a wide range of insurers, he says, you have a better chance of finding one that will work with you to get the best policy for the best price.

"You must give your insurance agent all the details about your medical problem, or problems, including the treatment you're getting and how you are responding," Dworkin says.

The more support, the more treatment reports, the more information from your doctor you can get, the better your chances of obtaining the insurance you need. The underwriters need the medical information and all the pertinent background details.

Dworkin gives this example: "We got good coverage for a client who was recovering from a heart transplant, but we could not get anything for another client who had a heart attack two years ago.

"The heart-attack victim was continuing to smoke and eat too much and did no exercise at all. The recovering heart transplant client, on the other hand, was under excellent medical supervision and was diligently working his way back to good health."

In some cases, where one partner in a marriage is uninsurable—no matter how hard you try—but the other is in good health, you might consider second-to-die insurance. "This can work where a family is worried about having enough insurance to pay the estate taxes after both husband and wife die," Feek says. It can cost less than just insuring the healthy partner, he adds.

The bottom line: The life-insurance industry is very competitive right now, so don't conclude that you are uninsurable, or have to pay enormous premiums to get the policy you need, until you and your insurance professional have studied all the options available through a wide network of underwriters.

FAMILY ECONOMICS

Home Health Care For Older Patients

Maybe a parent or some other elderly person in your family is living at home but needs an increasing amount of help to cope with daily living. You want to keep this person in his or her familiar surroundings but find it increasingly difficult to do so. What you need is someone to help select the right support services and supervise what's going on.

Depending on how much help the elderly person in question needs, this job can be a major physical and emotional burden. "Fortunately, there's plenty of assistance available out there," says Anne Werner, co-author of *Home Care for Older People*, published by United Seniors Health Cooperative.

One of the first places to check is a local agency on aging. You can usually find the number under county or city government listings. You can also get names and

numbers of home-care agencies in the Yellow Pages.

The local agencies on aging know which services can be obtained free or for modest fees. The services may include Meals On Wheels, minor home repairs, chore services, social-work assessments, transportation, and volunteer companions. You can also get referrals for home-care management organizations and nursing registries.

There's a National Eldercare Locator number you can call (1-800-677-1116) to get assistance in identifying community resources for seniors, including various levels of home care, assisted-living facilities, and nursing homes.

A private service agency can do it all: set up the support team, supervise the care, and handle all the payments and billing. "But this can be very expensive," Werner says, "costing as much or more than some skilled-care nursing facilities."

If the older person only needs assistance for one or two daily tasks, this can be done by paraprofessionals, such as homemaker services and home-health aides, for much less money.

You can obtain a copy of Werner's book by sending \$12 to United Seniors Health Cooperative, 1331 H Street, N.W., Washington, D.C. 20005.

You can get a free brochure, *How To Choose A Home Care Agency*, by sending a self-addressed, stamped envelope to National Association for Home Care, 519 C Street, N.E., Washington, D.C. 20002.



PHOTO: CHARLES DUTTON—GARYPHOTO

Community agencies can help a family choose support services for an elderly loved one living at home.

RELOCATION

Before You Make A Move, Consider The Taxes

Downsizing, mergers, and early-retirement offers are forcing more business people and their families into the relocation mill. But watch out. A hasty move to a new city or town to obtain better career opportunities or find a better climate could end up a cash-flow disaster if you don't give full consideration to taxes.

You may lose most if not all of the better cash flow you expect in the new location, says Tim Sanborn, president of Right Choice, a Salem, Mass., company that analyzes the cost-of-living changes involved in relocations. Some states have no income tax but take a big bite out of investment income and have high property taxes. And you also should compare property values from place to place.

A lot of good information on those subjects can be obtained from local libraries. For example, the American Chamber of Commerce Researchers Association, a

subsidiary of American Chamber of Commerce Executives, in Alexandria, Va., publishes quarterly cost-of-living reports for more than 300 cities and metropolitan areas around the country.

Families with young children need to know how schools in the new location measure up. "We have data bases on all public schools and 14,000 accredited private schools," says William L. Bainbridge, president of SchoolMatch, a relocation research firm in Westerville, Ohio.

SchoolMatch's relocation reports include schools' sizes, academic ratings, pupil-teacher ratios, and community demographics (taxes, family income levels, and education levels).

For more information on relocation services, call Right Choice, 1-800-872-2294, and SchoolMatch, 1-800-724-6651. In addition, the Living Cost Division of Runzheimer International, a travel-costs consulting firm in Rochester, Wis., offers company-oriented information on relocation costs; call 1-800-558-1702.

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Where I Stand



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1

Please rank the following concerns by order of importance to you as a business person:

1. Crime
2. Government-mandated costs
3. Health-care costs
4. Recruiting qualified workers
5. Economic uncertainty

4

Please rank these factors as reasons why businesses often have difficulty finding qualified workers:

1. Failures of public education
2. Appeal of welfare vs. work
3. Insufficient funding of education
4. Young people's lack of motivation
5. Mismatch between school curricula and job market

2

Please rank the following anti-crime steps by order of potential effectiveness:

1. Harsher criminal penalties
2. No parole for repeat violent offenders
3. More gun controls
4. More police on the streets
5. Faster prosecutions
6. Decriminalization of drugs

5

How do you appraise the American health-care system?

1. In crisis, needs major reform
2. Is basically sound but needs some adjustments
3. No changes needed

3

Please rank these government-mandated costs according to their impact on your business:

1. Taxes
2. Environmental-law compliance
3. Job-safety compliance
4. Disabilities-law compliance
5. Workers' compensation premiums

6

How do you evaluate the recent upbeat economic trends?

1. Quick return to long-term, strong-growth path
2. Slow but assured return to growth
3. Temporary, unsustainable gains

Send Your Response Today!

POLL RESULTS

Readers' Views On Mandates

An overwhelming majority of *Nation's Business* readers say they oppose Congress' penchant for passing on the costs of federal legislation to states and localities. They expressed their views on these federal unfunded mandates in the January Where I Stand poll. Based on the poll, the views of business people on the subject are similar to those that have been expressed by the nation's governors and state legislatures.

Ninety-six percent of the respondents said it is irresponsible of Congress to approve so-called unfunded mandates—requirements placed on states by Congress with no funding—without regard to the ability of states and localities to pay; and 91 percent said Congress should have to determine the financial impact on states and localities of every bill it passes that requires spending by those jurisdictions. Imposed costs often are passed on to businesses through taxes.

Examples of recently passed unfunded mandates include the Clean Air Act of 1990 and the Americans with Disabilities Act. Both require actions by state and local governments but contain no federal financial assistance.

Dozens of bills have been introduced in both houses of Congress to limit unfunded mandates; two bills would ban such measures. Ninety-one percent of the respondents to the *Nation's Business* poll said Congress should pass the latter.

Complete results of the poll appear below:

MANDATES

■ Opponents of unfunded mandates say it is irresponsible of Congress to pass such requirements without regard to the ability of states and cities to pay. Do you agree?	1. Yes	96%
	2. No	3%
	3. No opinion	1%
■ Should Congress be required to assess the impact on state and/or local taxpayers of every mandated spending bill?	1. Yes	91%
	2. No	8%
	3. No opinion	1%
■ Should each Congress be required to make public a cumulative total of spending that it has mandated on states and localities?	1. Yes	95%
	2. No	3%
	3. No opinion	2%
■ Legislation pending in Congress would ban enactment of any more unfunded mandates. Should this bill be passed?	1. Yes	91%
	2. No	6%
	3. No opinion	3%
■ One proposed solution is funding mandates by restoration of federal grants to states and cities. Do you back this solution?	1. Yes	26%
	2. No	60%
	3. No opinion	14%
■ Some state legislatures press their members of Congress for formal explanations of new mandates. Should all states do the same?	1. Yes	94%
	2. No	2%
	3. No opinion	4%

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For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

ESTATE PLANNING

The Advantages Of Jointly Held Property

By knowing the rules on jointly held property, you can help your heirs save money and avoid delays in the transfer of assets.

Many people think that if they put their property in joint names with their spouses, they can avoid estate taxes on the property. On the contrary, jointly held property is subject to estate tax, although it can avoid probate.

Property that is not jointly owned must pass through the probate courts before it can be distributed to the heirs. Probate can be somewhat costly and can delay the distribution of property.

Jointly held property passes to the survivor automatically, not through the estate of the deceased spouse. Thus, joint ownership can be a useful tool for holding title to your home or to other property in a small estate.

With regard to gift and estate taxes, the rules are different. For example, when a wife buys property and puts it in her name and her husband's, it is generally considered a gift of half interest by the wife to her husband. Because there is an unlimited marital deduction for transfers to a spouse for both gift and estate taxes, however, there is no gift tax at this point.

When one spouse dies, half the value of the property is included in his or her estate for estate-tax purposes. Because of



PHOTO: GISELE BEFFELD-UNPHOTO

Family concerns can affect property ownership.

the unlimited marital deduction, there is no tax on the estate of the first spouse to die. But the property is included for estate tax purposes in the estate of the surviving spouse.

That is why many estate planners prefer to divide jointly held property so

half is held separately by each spouse. Then each spouse can place the separate property interest in a "bypass trust," which would generally not be taxable in either the first estate or in the surviving spouse's estate.

Thus, under the right circumstances, it might be better for each of the spouses to own half the property, which would pass through the decedent's estate. An estate-planning specialist can help you determine when this might be desirable.

Property can also be held jointly with children or others. The creation of such a gift would be considered a taxable gift with no marital deduction and would be taxable unless covered by the annual \$10,000 exclusion or \$20,000 for both a husband and wife.

Be careful. Sometimes joint ownership can defeat the intention expressed in a will. For example, if in a new will you state that your house is to be left to your daughter from your first marriage but the house has previously been titled in your name and the name of your new spouse, the property would still go to your new spouse and not to your daughter as you intended.

CAPITAL

Borrowing Money From Shareholders

For small businesses operating as closely held corporations, shareholder loans can be useful for borrowing money. Because small-business owners often tend to treat companies as an extension of themselves, however, they sometimes overlook the formalities of such loans and end up running into trouble with the IRS.



Tax lawyer Albert B. Ellentuck is counsel to the Washington, D.C., law firm of King & Nordlinger. Readers should see tax and legal advisers on specific cases.

When a business needs money for working capital or for other needs, the shareholders can lend the money to the corporation.

When set up properly, this type of borrowing is treated by the IRS as a loan. This means interest paid by the firm is deductible as a business expense. The interest received by the shareholder is of course treated as interest income on his or her individual income tax return. Repayment of the loan is tax-free.

If the loan is not properly established, however, the IRS may attempt to treat interest payments as nondeductible dividends paid by the corporation to the shareholder. The payments to the shareholder would be taxable.

To ensure that the IRS does not successfully challenge a loan made by the shareholder, the terms of the loan should

be put into writing, with the IRS's applicable federal interest rate, scheduled principal payments, and a maturity date.

The IRS also determines that the interest and principal payments are in fact made and looks at the ratio of debt to equity to make sure the loans are not really disguised equity contributions. If there is an excessive amount of debt, the IRS could disregard the loan.

When a shareholder needs cash, he or she can borrow from the corporation. If the loan is properly structured, it is not taxable to the shareholder when made. The IRS looks at the same tests as noted above to determine that the debt is really debt.

If it is not considered a loan, the money may be treated as a dividend, which is nondeductible to the corporation but taxable to the shareholder.

Editorial

Keep The Balanced-Budget Amendment On Track

President Clinton's proposed budget for the fiscal year beginning Oct. 1 sets the deficit at \$176 billion, compared with \$235 billion in the current fiscal year.

This reduction will be achieved, he said, largely through the elimination or

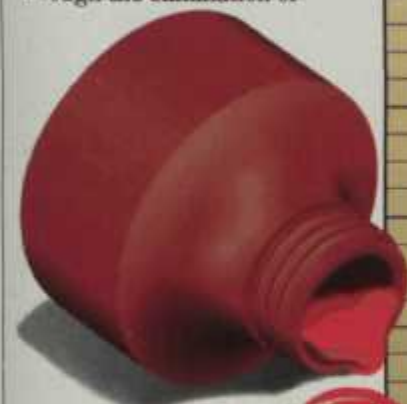


CHART: AMY FUGLISI

curtailment of hundreds of programs. While a deficit reduction of the magnitude proposed by the president is highly welcome, it is ironically being used as a weapon against the ultimate anti-deficit weapon, a constitutional amendment requiring a balanced federal budget.

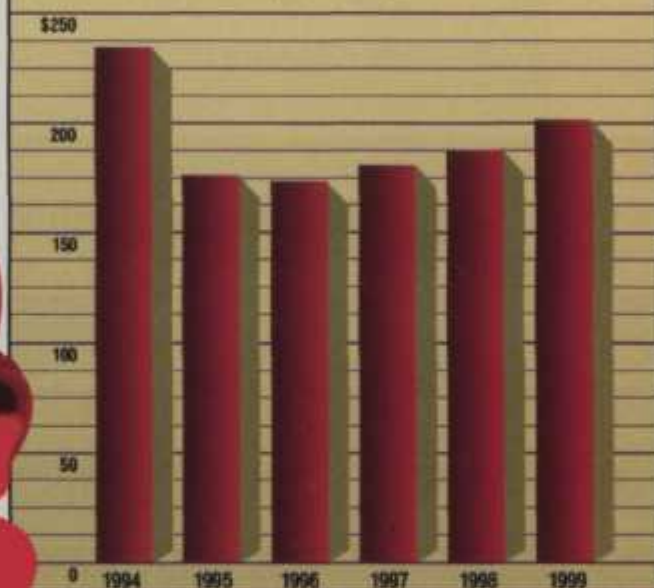
Critics of the amendment maintain that higher revenues from a strengthening recovery and fiscal restraints set by Congress in 1990 and 1993 are undermining the supporters' chief argument—that the strictures of a constitutional amendment are the only way to abolish the deficit spending that has seen the national debt increase more than fourfold since 1980.

Moreover, the anti-amendment forces say, the deficit will go down again in the next fiscal year.

Those claims need to be placed in the overall context of the new budget, which not only deals with the 1995 fiscal year but also projects federal finances through 1999. A close look at those numbers is highly enlightening.

While the deficit goes down in 1995 and 1996, it starts back up again in 1997, and by 1999 it again exceeds \$200 billion.

Federal Deficit: Five-Year Outlook
(In Billions)



SOURCE: BUDGET OF THE UNITED STATES, FISCAL YEAR 1995

The budget's assumptions about a strong economy and stable interest rates through the rest of the century may very well be correct, but a variation in either area could put additional pressures on the deficit.

Then there's the matter of the cost of the president's plan for health-care reform. He estimates that his proposals would reduce the deficit by \$60 billion from 1995 to 2000, but the nonpartisan Congressional Budget Office says the fiscal impact would actually be a \$70 billion increase.

In addition, assertions that the need for a balanced-budget amendment has faded in a new era of fiscal discipline ignore the reality of the many government programs known collectively as entitlements. The word derives from their nature—the law establishes qualifications for recipients under these programs, and anyone who meets the criteria is entitled to benefits.

Lawmakers will find that any long-range hopes of dealing with the deficit problem are doomed if the growth of entitlements is not confronted. Thus far, however, they have allowed political considerations to override the necessity for a thorough examination of the entitlements question.

The long-term outlook for red-ink spending and growth of many major federal spending programs, factors that spurred the movement for a balanced-budget amendment, has not been sufficiently altered by the latest federal budget to justify abandonment of the goal of a balanced-budget amendment.

The drive for this amendment should continue unabated, and Congress should not be allowed to avoid it by claiming the need has passed.



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The Business Advocate

SUPPLEMENT TO **Nation's Business** MARCH 1994

U.S. Chamber of Commerce

Action On Health Care

The U.S. Chamber declared its opposition to President Clinton's health-care reform plan, calling the proposal too costly and bureaucratic. The organization is meeting with key figures in the debate to develop a market approach to cost containment.

See story, Page 82.



Chamber board member Robert E. Patricelli testifies Feb. 3 on behalf of the U.S. Chamber at a House Ways and Means Committee hearing on health-care reform.



U.S. Chamber President Richard L. Leshner, left, talks with House Minority Leader Robert H. Michel, R-Ill., about approaches to health-care reform.



U.S. Chamber Senior Vice President William T. Archey discusses the congressional outlook with House Majority Leader Richard A. Gephardt, D-Mo.

■ Testimony

Clinton's Health Plan Rejected

The U.S. Chamber of Commerce has told Congress that President Clinton's plan for health-care reform would impose excessive costs, regulation, and bureaucracy on the nation.

The Chamber declared that it supports health-care reform "based upon a private market-based approach to cost containment."

The business organization set forth its position in testimony given Feb. 3 by Robert E. Patricelli, a Chamber director and chairman of its Health and Employee Benefits Committee, to the House Ways and Means Committee. The House panel is one of several congressional committees holding hearings on health-care reform.

Patricelli told the Ways and Means Committee that none of the many bills before Congress "strikes anything like a proper balance of responsibilities" among the various parties who would be expected to finance the arrangements proposed in the respective measures.

Specifically, he said, "we cannot support the president's Health Security Act. While that bill has some good elements, it proposes such a burden of high employer premium contributions, rich benefits, and counterproductive regulation and new federal and health-alliance bureaucracy, that we believe that it cannot even be used as a starting point for committee markup."

Patricelli told the committee that the Chamber was reviewing, through its own policy-committee process, the question of whether there are health-care alternatives that do not involve employer or employee purchasing mandates or establish a single-payer system.

Patricelli noted in reference to the forthcoming Chamber review of alternatives that "this re-examination has been forced by what seems to us to be the tendency of the political process to so encumber mandates with excessive costs, price controls, and bureaucracy that what might seem theoretically acceptable becomes unsustainable in practice."

The Chamber's statement that it could not support any of the pending proposals mandating employer contri-

butions to health-care premiums was consistent with its position throughout the current debate on this issue.

That debate began shortly after President Clinton took office with the announced intention of seeking a massive overhaul of the American health-care system.

The Chamber board said at that time that it would help forge a national consensus on health-care reform because it had become a matter of utmost concern to the organization's members.



In keeping with that pledge, the board recommended guidelines as a foundation for development of an effective reform strategy. Those guidelines called for shared responsibility along the lines described in the Chamber testimony.

Last June, the board noted its concern that the administration plan then being developed was tending toward excessive regulation and a benefits package that could "kill the economics of reform."

In November, after the Clinton health-care reform plan had been announced, the U.S. Chamber board renewed its concerns about the creation of new bureaucracies, establishment of price controls, and a disproportionate

burden on employers. The business organization's Health and Employee Benefits Committee told the board at that time that "no plan thus far entirely satisfies Chamber objectives," a message repeated three months later in the Feb. 3 congressional testimony.

The best strategy, the Chamber committee said, would be to influence the discussions by focusing on critical components of health-care reform, rather than committing to any one plan so far on the table. The board accepted that recommendation.

At the board's direction, Chamber officials and staff sought to eliminate elements of the Clinton plan that would put unacceptable cost and regulatory burdens on business. Chamber representatives met with advocates of other plans to encourage them to support the organization's goals.

Despite the Chamber's commitment to its guidelines, two false reports of its position on health care were circulated. One held that the organization supported the Clinton plan *in toto*, while another claimed that the Chamber had accepted the administration's approach to employer cost-sharing.

It thus became necessary for the Chamber to state the facts of its position, as Patricelli did.

As part of its evaluation of health-care reform alternatives, the Chamber continues to meet with key decision makers on the issue. Among them are House Majority Leader Richard A. Gephardt, D-Mo., and House Minority Leader Robert H. Michel, R-Ill. They addressed health care, among other items on the 1994 congressional agenda, in appearances before the Chamber's Policy Insiders, a group of issue-oriented business people who meet at the Chamber throughout the year.

The full text of the Chamber's testimony to the House Ways and Means Committee appears on Page 87. The Chamber's board of directors was scheduled to review all of the leading proposals for health-care reform at a meeting Feb. 28. A report on the board's deliberations will appear in the next issue of The Business Advocate.

■ Communications

Chamber Improving Operations

The U.S. Chamber of Commerce is implementing the next phase of a strategic realignment designed for faster and more effective communication with its members.

The realignment involves the redeployment of personnel and resources in developing a strong high-tech base for membership communication activities. In developments so far:

1. The Grassroots Action Information Network (GAIN) has come on-line. Chamber members who sign up with the network specify the issues in which they are interested.

When one of those issues is at a critical point in Congress, the Chamber can quickly identify its members interested in that issue and rally them to contact their senators and representatives on behalf of the business position. GAIN already has more than 24,000 participants and continues to grow.

(Information on joining GAIN appears in this month's issue of GAIN Update, which begins on Page 87.)



"First Business," the Chamber's morning news show on USA Network, features news and information to help small companies operate effectively. Here Blue Chip Enterprise honoree Harlow Fulwood, right, talks with anchorman Barton Eckert on how a business can overcome adversity.

2. GAIN Update, a four-page legislative-action report, has been added to *The Business Advocate*, which is now published monthly and goes to all 215,000 member organizations and their participants in GAIN.

The report supplements the information that GAIN provides via its electronic network and keeps Chamber members informed on the network's growing impact on legislation.

3. A state-by-state satellite network is being set up to enhance the GAIN operation and other communications initiatives by linking Chamber headquarters with state chambers of commerce.

The U.S. Chamber is providing

downlink receiving dishes, contributed by Comsat Corp., of Washington, D.C., and Radiation Systems Inc., of Sterling, Va., and the only expense to the state organizations is the installation charge.

The national satellite network will provide to Chamber members and the business community at large unequaled insights on issues and access to policymakers in Washington.

4. The Quality Learning Services Division was established to develop management-training seminars shown at sites throughout the country.

The Chamber's extensive satellite

Continued on Page 94



The Chamber used its satellite-town-meeting capabilities for a program encouraging nationwide support for NAFTA and featuring President Clinton.

■ Labor Relations

Small Firms' Concerns Pressed

A federal commission on worker and management relations should pay close attention to the potential impact on small firms of any labor-law changes it recommends, the U.S. Chamber of Commerce told the panel.

"Small businesses should not be overburdened with incomprehensible requirements and regulations requiring the assistance of technical staffs and lawyers to ensure compliance," said William A. Stone, who testified on behalf of the Chamber at a commission hearing held in Washington.

Stone is president and chief executive officer of Louisville Plate Glass Co., in Louisville, Ky., and is a member of the Chamber's board of directors. He is also the chairman of the Chamber's labor relations committee.

In urging consideration of small business's concerns, Stone asked that the 10-member panel—the Commission on the Future of Worker/Management Relations—pay particular attention to the potential effects of changes in laws covering collective bargaining, workplace safety and health, and union organizing.

The hearing was one of a number being conducted nationwide by the commission, which was set up by U.S. Labor Secretary Robert B. Reich and Commerce Secretary Ron Brown in

March 1993. The panel is investigating the state of U.S. worker-management relations and labor laws.

On specific matters, Stone told the commission that alternative dispute resolution could be a practical solution to problems between workers and management, and he agreed that labor-management cooperation through quality teams would "im-

"Small businesses should not be overburdened with incomprehensible requirements and regulations."

—William Stone, President, Louisville Plate Glass Co.



Health Act reform bill sponsored by Sen. Edward M. Kennedy, D-Mass., and Rep. William D. Ford, D-Mich.

Stone also said the Chamber is strongly opposed to any efforts to allow labor unions to be certified as exclusive collective-bargaining representatives for a company's workers based on employees' signatures on union cards rather than through secret-ballot elections, which is the current practice.

Business groups have been concerned that the commission will recommend changes in labor laws to reverse a two-decade decline in union membership by making it easier for unions to organize workers.

On strike-related legislation, Stone said the Chamber is also adamant in opposing measures that would ban the permanent replacement of workers who strike for economic reasons,

prove productivity, enhance employee involvement and interest, and achieve the highest quality in goods and services."

However, he said such employer-employee committees should be voluntary. They would be mandatory under the pending Occupational Safety and

Health Act reform bill.

The commission is likely to accept public comments on the recommendations it is expected to make in June. A final report is scheduled to be issued in late summer. Legislation to implement any panel recommendations will likely be introduced in Congress in early fall.

■ Legislation

Striker Update

Strong opposition from business continues to delay a Senate vote on legislation to bar employers from hiring permanent replacements for striking workers, but that situation could change at any time.

The U.S. Chamber of Commerce is leading a coalition of business groups lobbying senators to oppose the striker-replacement bill, which has been pending in the Senate since last year. A simi-

lar measure was adopted by the House last June.

The coalition has been focusing on keeping the bill, sponsored by Sens. Howard M. Metzenbaum, D-Ohio, and Edward M. Kennedy, D-Mass., from coming up for a vote.

Meanwhile, it is also trying to secure enough opposition to the bill to defeat it if it does come up.

The Chamber is urging its members to call their senators to encourage opposition. Such pressure last year helped prevent a Senate vote.

Senate Majority Leader George J. Mitchell, D-Maine, has indicated that

the bill would not be brought up for a vote until proponents have the 60 votes necessary to end an expected filibuster, a prolonged debate to prevent a vote on the legislation.

The Clinton administration supports the strike bill, which would prohibit employers from permanently replacing employees—either union or nonunion—who strike over economic conditions, such as wages and benefits.

To urge opposition to the strike bill, call your senators at (202) 224-3121, or write them at the U.S. Senate, Washington, D.C. 20510.

■ Vote Pending

Act Now On Product Liability

Legislation to reform the nation's product-liability laws is expected to come up for a vote in the Senate in late March or early April, and the U.S. Chamber of Commerce is working to win the support of senators who are undecided on the bill.

The legislation, sponsored by Sens. John D. Rockefeller IV, D-W.Va., and Slade Gorton, R-Wash., would create a uniform federal product-liability law to replace the current system of 50 state laws.

The bill had 45 sponsors as of early February. To pass, it must have the support of a majority of the senators who vote on it.

The Chamber has pressed for several years to get the legislation approved by committees and to a floor vote. It stepped up its efforts when Congress convened Jan. 26 for the second session of the 103rd Congress.

Before senators vote on the bill, they will likely have to vote to cut off a filibuster—or prolonged debate—on the measure. That will be the first major test of support for the bill.

Sixty votes were required to end a filibuster, which is likely to be led by



Lonnie Taylor, left, the U.S. Chamber's Senate liaison, discusses strategy on product-liability legislation with one of the bill's prime sponsors, Sen. John D. Rockefeller IV, D-W.Va.

Sen. Ernest F. Hollings, D-S.C.

Rockefeller says he believes prospects for passage are good. He notes that in early November the Senate Commerce, Science and Transportation Committee approved the bill, 16-4, which was the largest margin of victory for product-liability legislation in the more than 10 years it has been before the commerce panel.

The measure is expected to be considered by the Senate Judiciary Committee before going to the full Senate.

The Chamber is also pushing a House bill similar to the Senate measure. Sponsored by Rep. J. Roy Rowland, D-Ga., it had 138 sponsors in early February.

For details on the House and Senate legislation's beneficial provisions, see GAIN Update, Page 89.

Call your lawmakers and urge support for S. 687 in the Senate and H.R. 1910 in the House. Phone senators at (202) 224-3121 and representatives at (202) 225-3121.

■ Environment

Clean-Water Proposals Moving

As Congress works to renew the Clean Water Act, the U.S. Chamber of Commerce is representing the concerns of manufacturing companies that could see their day-to-day operations significantly affected by pending proposals.

The Chamber leads the Washington-based Clean Water Industry Coalition, which is monitoring the legislation, including a bill that is advancing quickly in the Senate and a proposal offered by the Clinton administration.

The coalition includes companies and associations representing automobile, chemical, mining, pulp and paper, textile, and other industries. Its major

focus has been on explaining to lawmakers the impact the proposals would have on businesses.

The bill that has received the most attention was introduced by Senate Environment and Public Works Committee Chairman Max Baucus, D-Mont., and Sen. John H. Chafee, R-R.I.

That legislation—S. 1114—would:

- Strengthen the Environmental Protection Agency's authority to ban the use of toxic substances;

- Require the EPA to rely on changes in a company's production processes in setting effluent standards;

- Establish minimum civil penalties based on the benefit a company gained

in committing a violation; and

- Strengthen other enforcement mechanisms. For instance, the legislation would allow citizens to sue companies for violations of the law that have occurred within the past five years even if problems have been corrected. Currently, citizen suits are allowed only for violations that have not been corrected.

The clean-water plan proposed by the administration includes a provision for "reducing or prohibiting" the use of chlorine or chlorinated compounds, which are used in the process of making paper, plastics, and other products. That measure could have a significant negative impact on many businesses.

Like the Baucus-Chafee measure, the administration's plan also seeks more authority to restrict or ban the use of "highly toxic" pollutants.

■ International

Pushing For Freer Trade With Asia

The Clinton administration is committed to opening markets in eastern Asia beyond Japan, U.S. Treasury Secretary Lloyd Bentsen told business leaders at a meeting at the U.S. Chamber of Commerce Jan. 27.

"Our economic future increasingly is tied to what is the fastest-growing region of the world," Bentsen said. "Too often Americans don't realize that there is more to Asia than just Japan."

Bentsen's remarks to the Chamber's International Forum followed his recent trip to several Asian nations and preceded the mid-February trade discussions in Washington between President Clinton and Japanese Prime Minister Morihiro Hosokawa.

Bentsen said that in China he was encouraged by the willingness of the country to move steadily toward a market economy.

He noted that the Chinese have unified their exchange rate, which should make trading within the country easier for U.S. companies. Substantial progress has also been made in opening financial markets to foreign firms, he reported.

According to Bentsen, the Chinese said they are going to permit foreign financial institutions in areas previously closed to foreign investors. The Chinese have already agreed to let foreign banks engage in local currency business on an experimental basis.

"There are enormous opportunities for us in China," Bentsen said, "and this



"Too often Americans don't realize that there is more to Asia than just Japan."

**Lloyd Bentsen,
U.S. Treasury Secretary**

is a chance to get in on the ground floor as they build a market system."

Nonetheless, he said, China has numerous obstacles to overcome, including high import duties and fees and its technological shortcomings, before U.S. companies can effectively tap that market.

"There's no question," Bentsen said, "that if we get these trade barriers down [throughout Asia]—and we're making good progress at it—that you can get in there and do business."

The administration official briefly mentioned the trade embargo against Vietnam, which has since been lifted by

President Clinton. He said there was a consensus among American business people, including the Asia-Pacific Council of American Chambers of Commerce, that the embargo should be lifted.

"The message the Asia-Pacific Council of American Chambers of Commerce conveyed," he said, "was that the impression that all the business has gone to the Japanese is wrong, and that the Vietnamese want our technology and know-how."

The U.S. Chamber had also advocated normalizing trade relations with Vietnam.

■ Trade

China Action Pending

The U.S. Chamber of Commerce is urging the Clinton administration to extend most-favored-nation (MFN) trading status to China without restrictions.

MFN is granted to nearly all countries with which the U.S. trades and guarantees that a country will be treated the same as other nations with MFN status.

China's MFN status expires in early July, and the deadline for approval of an extension is early June. The nation has been granted MFN status annually since 1980.

The Clinton administration is expected to request a one-year extension

of MFN, but it may attach conditions for maintaining the status, such as progress on human-rights issues. Similar conditions were attached last year.

The Chamber has argued that denying China MFN status would do more harm than good in promoting human rights in the country and would do damage to U.S. commercial and strategic interests there. A heated debate is expected in Congress over the issue.

■ New EC Guide

The International Division of the U.S. Chamber of Commerce has produced a fourth update to its guide to doing business in the 12-nation European Community.

The update contains the latest information on the potential problems that U.S. companies may face in exporting to the EC or conducting business there.

The new update, *Europe 1992: A Practical Guide for American Business*, costs \$30 for members of the U.S. Chamber (\$40 for nonmembers).

To order copies, call (202) 463-5460.



GAIN UPDATE

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Health Care Remains Top Chamber Issue

Fiscal policy and trade also high on priority list for action.

As the legislative year unfolds in Washington, the U.S. Chamber of Commerce is increasingly involved in issues of critical importance to business.

Because of its sweeping nature, health-care reform remains the subject of top concern, as reflected in our story on Page 82. As we point out in that article, the Chamber continues to work for a reform plan based on a market approach, not a costly new government bureaucracy.

Chamber staff experts are also on top of two issues nearing key decision points—a balanced-budget amendment and product-liability reform. International trade also remains a high priority in view of the rapid changes occurring in that area.

Details of Chamber activity on these subjects of major importance to business follow.

"We Cannot Support Any Of The Mandate Proposals That Have Been Advanced..."

You might have read or heard that statement by the U.S. Chamber in the early February news coverage of the organization's congressional testimony on health-care reform. That and other excerpts were widely quoted and commented on by the news media. To help Chamber members stay fully informed on the developing debate in Washington over health-care policy, we are printing here the full text of the Chamber statement that was the subject of the news reports.

It was given by Robert E. Patricelli, chairman of the Chamber's Committee on Health and Employee Benefits and a member of the organization's board of directors, to the House Ways and Means Committee, the key congressional panel on health legislation.

A report on activities related to the Chamber strategy on health-care reform is contained in the story on Page 82

of *The Business Advocate*. Here is the Patricelli testimony on behalf of the Chamber:

I am here to give you the definitive current position of the Chamber on health-care reform. I would also like to note to the committee that the full Health and Employee Benefits Committee of the Chamber, plus four other policy committees, will be reviewing our position in considerable detail over the next two weeks prior to the review and decisions by our board of directors.

I want to summarize my testimony in terms that I hope will be very clear to this committee, because the subject of this hearing—universal coverage and employer mandates—is absolutely central to the health-care-reform debate. If I err on the side of bluntness, please understand that it is because I am trying to be as clear as possible.

First, about one year ago the U.S. Chamber Board of Directors adopted a preliminary set of Guidelines for Health Care Reform. Those guidelines supported the goal of universal coverage, and that has not changed.

Second, in that set of guidelines, we expressed the view, and I quote, that "provided the minimum benefit package is not defined to be overly expensive, all individuals should be required to have health insurance, which should be paid for through a combination of: public funding for the elderly, poor, and near poor; employer/employee contributions for all working people and dependents; and individual contributions." We have consistently since interpreted that board policy as requiring a system of shared responsibility among employers, individuals, and government for the funding of health insurance.

Third, we have not yet seen any bill which we feel strikes anything like a proper balance of responsibilities among the potential funding parties. Specifically, we cannot support any of the mandate proposals that have been advanced in legislation by President Clinton or members of Congress.

Fourth, we specifically cannot support the president's Health Security Act. While that bill has some good elements, it proposes such a burden of high employer premium contributions, rich benefits, and counterproductive regulation and new federal and health-alliance bureaucracy, that we believe that it cannot even be used as a starting point for committee markup.

Fifth, we are currently re-examining in our committee process whether there are alternatives to reaching universal coverage beyond employer or individual



How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, the U.S. Chamber staff of specialists on legislative and regulatory issues provides activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

GAIN UPDATE

mandates, or single-payer systems (which we certainly oppose). This re-examination has been forced by what seems to us to be the tendency of the political process to so encumber mandates with excessive costs, price controls, and bureaucracy that what might seem theoretically acceptable becomes unsustainable in practice. The Clinton bill, for one, certainly gives mandates a bad name. If employer mandates become the vehicle for those who favor the trappings of a government-dominated system, we will not accept those mandates.

The U.S. Chamber supports health-care reform that will progress this country to universal coverage, over time, at an acceptable cost, and which is based upon a private market-based approach to cost containment.

We stand ready to assist the committee in reaching this goal.

Chamber Pressing For Passage Of Balanced-Budget Amendment

The U.S. Chamber expects to devote considerable resources this year to supporting the proposed balanced-budget amendment to the U.S. Constitution. The organization's board of directors endorsed the measure last October.

The amendment must be approved by a two-thirds vote of each house of Congress, and it would then need ratification by 38 state legislatures.

This year's congressional consideration of the amendment represents a landmark opportunity, but the road is by no means clear. These are among the favorable factors as the vote approaches:

- Public awareness of the deficit problem and cynicism about Congress' ability and/or willingness to do anything about it are at peak levels.

- Some lawmakers who fear voter reprisal for their pro-tax votes last year see the amendment as an opportunity to take a stand for fiscal discipline.

- After years in which supporters of an amendment were divided over specific provisions, there is united support for the approach in a bill sponsored by Sens. Paul Simon, D-Ill.; Orrin G. Hatch, R-Utah; and Larry E. Craig, R-Idaho. The principal House sponsor is Rep. Charles W. Stenholm, D-Texas.

Some opponents of a balanced-budget amendment are pointing out that a resurgent economy is generating higher-than-expected revenues and pushing the deficit down. They argue that the need for an amendment is fading. And, while support for the amendment has grown among rank-and-file members of Congress, it faces powerful foes in the persons of Senate Majority Leader George J. Mitchell, D-Maine, and Appropriations Committee Chairman Robert C. Byrd, D-W. Va.

President Clinton has no official role in the amendment process, but he is against the measure and is soliciting various interest groups with a special stake in federal spending to join the effort to sidetrack the legislation. Whether the president can rally sufficient support to slow the momentum that has built up behind the amendment is uncertain, however.

Business, meanwhile, continues to press for approval.

In addition to the Chamber, business organizations supporting the legislation are the National Taxpayers

Union, the Business Roundtable, the National Association of Manufacturers, and United We Stand, the group founded by Ross Perot.

The Chamber's efforts will be spearheaded by its new Grassroots Action Information Network, which links its activist business members with the latest information on legislative and regulatory issues available at Chamber headquarters in Washington.

Here are major provisions of the Simon-Hatch-Craig bill, support for which was approved by the Chamber board last October:

- Federal outlays could not exceed revenues unless three-fifths of the members of each house approved such an exception. A simple majority of each house could waive the requirement in time of war.

- An increase in the federal debt limit would require the same three-fifths approval.

- A constitutional majority (51 senators and 218 representatives) would be needed to raise taxes, as opposed to the present requirement of a majority of the members present and voting. Under the latter standard, tax increases could be approved with a vote well under a constitutional majority.

The explosive growth of annual deficits beginning in the 1980s gave fresh impetus to the idea of putting strong restraints on borrowing. In fact, two-thirds of the national debt now outstanding has been incurred since 1980.

Several balanced-budget proposals have been offered in Congress in recent years, but none gained the necessary two-thirds majority needed to send the question to the states for a final determination.

There were various attempts to impose fiscal restraint by legislation, but these failed because it was relatively easy for Congress to carve exemptions and loopholes with still more legislation.

The Gramm-Rudman-Hollings law of 1985, for example, contained ambitious targets for reducing annual deficits according to a rigid timetable, but the requirements were modified when they came into conflict with Congress' spending plans.

Between 1980 and 1990, each year's spending was an average \$30 billion higher than the target set at the start of the fiscal year.

Other efforts to curb deficits with legislative enactments have been equally vulnerable. Ostensibly rigid controls could be waived or modified by a simple majority vote, and experience showed that it was not difficult to assemble majorities in favor of more spending.

The principal advantage of a constitutional amendment, of course, is that its tough requirements are beyond the reach of congressional majorities.

If the proposed amendment wins Senate approval, House leaders have promised to bring it up in that chamber, where it has 262 firm and 15 likely supporters. The 277-member total is just 13 votes short of the two-thirds majority needed for approval.

A Senate vote on the Simon-Hatch-Craig balanced-



GAIN UPDATE

budget amendment, Senate Joint Resolution 41, could be imminent. Urge your senators to support it by telephoning their offices at (202) 224-3121.

Chamber Seeks To Maximize GATT Benefits For U.S. Businesses

President Clinton will ask Congress this spring to approve the Uruguay Round changes to the General Agreement on Tariffs and Trade and amend U.S. trade laws as required to implement those changes.

The Uruguay Round Agreement, named for the locale of the initial meetings on revising GATT, was drafted with the participation of 166 countries in seven years of complex negotiations. It could stimulate a multibillion-dollar expansion of world trade by lowering tariffs, opening markets for goods and services, and improving procedures for seeking solutions to trade disputes between governments.

The latest agreement would set international rules of the road for the first time on trade in services and on the protection of intellectual property.



The U.S. Chamber is planning to play an active role in shaping the implementing legislation and influencing the congressional vote. One objective is to maximize the commercial benefits that the agreement provides U.S. businesses.

A second objective is to secure implementing legislation that clarifies key provisions important to U.S. economic interests, including those relating to anti-dumping rules, dispute settlement, intellectual property, subsidies, and trade-related investment.

The administration is expected to send the Uruguay Round Agreement and implementing legislation to Congress sometime after April 15. It will be subject to "fast-track" consideration that precludes amendments and requires a decision within a specified time.

The Uruguay Round Agreement is scheduled to go into effect on July 1, 1995.

Integration Of Foreign Aid Into Larger Trade Strategy Is Chamber Goal

The basic law under which U.S. foreign-assistance programs have operated for more than 30 years would be replaced by legislation that the Clinton administration is sending to Congress.

The Peace, Development and Democracy Act of 1994 would replace the Foreign Assistance Act of 1991.

The new approach would focus foreign aid on six goals: sustainable development, democracy, peace, humanitarian assistance, growth through trade, and U.S. diplomatic priorities.

In the era following World War II, foreign trade has largely been viewed as part of this country's Cold War effort to contain communism.

The U.S. Chamber will work with the appropriate congressional committees during the year in support of a

final legislative product that reflects the organization's view that foreign-assistance goals should be integrated into a larger trade-development strategy.

The Chamber has long supported a better alignment of foreign aid and U.S. economic interests and is seeking



policies under which aid would be centered at the intersection of U.S. commercial interests and the development goals of nations receiving American funds.

Such an approach, for example, would mean spending most of the foreign-assistance dollars on infrastructure projects in the developing world. They would

include transportation, energy, and telecommunications; U.S. firms would be involved in their design and construction.

The Chamber also believes that a proper regard for U.S. economic interests requires that the coordination and management of foreign assistance have not only the supervision of the U.S. State Department secretary but also the direct involvement of the National Economic Council and the Treasury, Commerce, and Agriculture departments.

The Chamber board of directors last June adopted a policy statement declaring that "the use of foreign aid to stimulate the participation of American firms in capital projects can be a valuable contribution both to development and to the expansion of U.S. exports."

That statement was made in backing legislation or executive-branch action to establish a capital-projects support facility under the U.S. foreign-assistance program.

The board resolution called for authorization of at least \$1 billion for U.S. participation in capital projects that would have to be both developmentally sound and beneficial to U.S. exporters.

Congress Is Finally Recognizing Need For Product-Liability Reform

The message that product-liability reform is a critical issue for businesses of all sizes is finally being heard in Congress.

After many years of intense business efforts to establish uniform national standards in this area, the Senate now appears ready to act. A floor vote on the Product Liability Fairness Act is expected by mid-April. Prospects for passage in the Senate and in the House of Representatives are more favorable in this Congress than in any of its recent predecessors. The Senate measure (S. 687) and the counterpart bill in the House of Representatives (H.R. 1910) both have bipartisan support.

If you want to participate in the U.S. Chamber's efforts to enact federal product-liability legislation, please provide us with the following information at our voice-mail number, (202) 463-5597, or fax number, (202) 463-5832: your name and title and your company's name, address, and telephone and fax numbers.

As a result of a long, intensive campaign by the U.S. Chamber and other business organizations, lawmakers are

GAIN UPDATE

increasingly aware that the business community needs relief from product-liability litigation and that even the prospect of a lawsuit can threaten the survival of a business.

The pending legislation is a reasonable federal solution to some of the systemic problems plaguing the various state product-liability laws.

Both the Senate and the House bills propose a number of measures that would dispense with the patchwork of state product-liability laws by creating federal standards. The two measures would:

End joint liability for noneconomic damages, such as pain and suffering. This would make each defendant liable only in proportion to that party's share of responsibility for the alleged harm. (Under the current joint-liability rule, the defendant with the greatest resources can be held fully responsible regardless of the degree of culpability.)

Limit sellers' liability to injuries resulting from their own negligence. A seller who improperly assembled a product, altered it, or failed to comply with an express warranty could be held liable for the consequences of those actions. But the proposed change would limit a seller's present potential for liability for harm caused by a product as it came from the manufacturer. The seller would be liable only if the manufacturer could not be brought into court or was unable to pay a judgment.

Raise the standard of proof for punitive damages. The legislation would require plaintiffs to show "by clear and convincing evidence" that a defendant's conduct demonstrated "conscious, flagrant indifference" to the safety of those who might be harmed by the product. In addition, the defendant could have the question of punitive damages resolved in a separate proceeding from the hearing on compensatory damages. Pre-market federal approval or certification from the Food and Drug Administration or Federal Aviation Administration would constitute a defense against punitive damages for manufacturers and sellers of drugs and medical devices and manufacturers of aircraft and related components.

Establish an alcohol/drugs defense. Under this approach, product manufacturers and sellers could use as a defense a judge's or jury's determination that a plaintiff's use of alcohol or illicit drugs was the primary cause of an injury. A primary cause is one that is more than 50 percent responsible for the injury.

Set a two-year statute of limitations for product-liability claims. The starting point would be the point at which a plaintiff discovered, or could reasonably be expected to have discovered, the injury and its cause. In addition, a 25-year limit would be set for filing lawsuits involving workplace machinery or other equipment. Such claims would be barred in connection with machinery or equipment more than 25 years old if the claimant was

eligible for workers' compensation as a result of the injury.

In addition to the joint provisions listed above, the Senate bill would encourage expedited settlements and alternative dispute resolution. The House measure calls for reduced damages if a plaintiff misused or altered a product.

While there are grounds for optimism that a product-liability bill will pass, it is nevertheless crucial that the business community keep up its campaign for enactment. The key number in the Senate is not the 51 votes generally needed for success but the 60 votes required to overcome the filibuster expected to be launched by determined opponents of reform. Opposition also remains strong in the House.

Urge your senators to vote to end a filibuster and to support Senate bill 687 and your representatives to vote yes on House bill 1910. Contact them through the U.S. Capitol switchboard—(202) 224-3121 for the Senate and (202) 225-3121 for the House.

Renewal Of MFN Status For China Is Sought By Chamber

The U.S. Chamber supports extension of most-favored-nation (MFN) trading status for China without conditions because failure to do so would impose a double penalty.

The results of removal of MFN would be:

- Serious damage to U.S. commercial and strategic interests in China.
- The punishment of individuals within that country who are most favorable to political reform.



The deadline for action by Congress and the president is June. The president appears willing to request a one-year extension of MFN, although the administration has made it clear to the Chinese government that further progress on human rights is a precondition to that step.

The extension granted last year included a provision that China satisfy the president that it has made "overall significant progress" in human rights, and the president must issue a certification to that effect before a further extension of most-favored-nation status can be granted.

While a State Department report to Congress on Jan. 31 acknowledged that some progress had been made, it said that China's overall human-rights record last year fell "far short of internationally accepted norms."

The administration will continue to press the Chinese for additional human-rights concessions.

While the terminology might suggest otherwise, most-favored-nation status does not give a country special recognition or privileges in commercial relations with the U.S. Virtually all nations with which this country trades have the MFN designation. Basically, it means that the United States will not treat an MFN nation any differently than it treats almost all its other trading partners.

Purchasing

More Small-Firm Contracts Urged

Specialists at the U.S. Chamber of Commerce are urging Congress to expand three bills that would streamline the federal contracting process and open new opportunities for small businesses.

The bills, sponsored by Reps. John Conyers Jr., D-Mich., and James H. Bilbray, D-Nev., and Sen. John Glenn, D-Ohio, serve as a good starting point, according to the Chamber, but they fall short of meeting the needs of small government contractors.

One of the provisions strongly backed by the Chamber and which is currently included in the pending proposals is an increase in the threshold for contracts reserved for small firms.

Currently, federal contracts of \$25,000 or less are reserved for small businesses. The pending bills would raise the level to \$100,000.

The Chamber is working with a Washington-based coalition, the Acquisition Reform Working Group, to broaden the proposals to:

- Ensure that small companies get notified of contracting opportunities.

Currently, small companies have



Steve Kelman, foreground, head of the federal Office of Procurement Policy, addresses the Chamber's procurement-policy council on the Clinton administration's efforts to change the way the government purchases goods and services.

only minimum access to government requests for goods and services, with most agencies simply posting contracting notices on internal bulletin boards.

The Chamber is pushing for the in-

stallation of an electronic data interchange (EDI) system—similar to an electronic bulletin board—and a provision that would require federal agencies to enter purchasing requests on the system to alert small businesses about contracting opportunities.

- Encourage the government to purchase commercial goods directly off the shelf, rather than go through a lengthy contracting process, including a multitude of detailed specifications, to obtain them.

- Improve government explanations of why a company did not win a contract to help firms in subsequent efforts to secure federal business.

- Set the contract dollar limit for providing cost and pricing data to the government at \$500,000.

The Chamber believes such a limit on requiring data would help small contractors cut the number of hours and the amount of paperwork involved in securing government contracts.

The bills are expected to be voted on by House and Senate committees in March or April.

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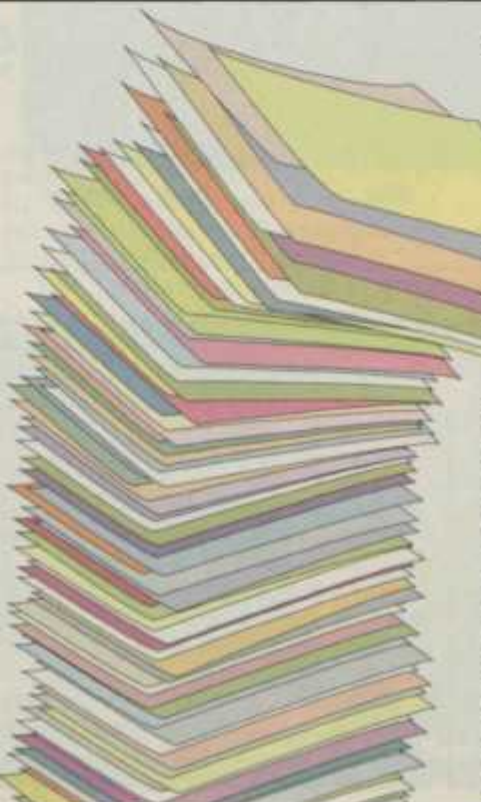
A Chance To Cut Your Paperwork

The U.S. Chamber of Commerce is redoubling its efforts to get Congress to renew a law that could save employers significant amounts of time and money.

The law, the Paperwork Reduction Act, was adopted in 1980 and expired in 1989.

The Chamber is pushing for passage of a Senate paperwork-reform measure sponsored by Sens. Sam Nunn, D-Ga., and Dale Bumpers, D-Ark., and a similar House bill sponsored by Reps. Norman Sisisky, D-Va., and William F. Clinger Jr., R-Pa.

Although the measures have wide, bipartisan support, action on them is uncertain. One of the Chamber's key goals is to increase the number of sponsors as a way to press congressional



leaders to bring the bills up for a vote.

The Nunn-Bumpers and Sisisky-Clinger measures would:

- Reauthorize the Paperwork Reduction Act for five years;

- Require a 5 percent annual reduction in government paperwork; and

- Strengthen the ability of the federal Office of Information and Regulatory Affairs (OIRA) to ensure that regulatory agencies comply with the paperwork statute. OIRA, part of the Office of Management and Budget, is charged with reviewing federal agencies' regulations and paperwork requests to determine their projected costs and benefits.

Write your senators and representative. Urge them to support the Nunn-Bumpers and Sisisky-Clinger bills (S. 560 and H.R. 2995) to reduce government paperwork. Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

■ Spending

Call Now On Balanced Budget

The U.S. Chamber of Commerce is urging its members to press their representatives to support a constitutional amendment requiring a balanced federal budget.

The House measure, sponsored by Rep. Charles W. Stenholm, D-Texas, has more than 260 co-sponsors. But the support of 290 House members (two-thirds of the body) is required for passage. While working to gain the support of an additional 30 representatives, the U.S. Chamber is also striving to maintain all 260 co-sponsors.

Both the House proposal and a similar measure under consideration in the Senate would restrict Congress' ability to approve spending that exceeds revenues. To pass an unbalanced budget or

place renewed emphasis on the need for fiscal discipline and to constrain the ability of Congress to continue raising taxes. It could also encourage other budget-control ideas.

The business federation also points to recent dangerous increases in public debt as a percentage of the nation's gross domestic product. (See chart.) The public debt—the accumulation of yearly deficits—is the money owed by

securities are issued to raise money to cover the deficit.

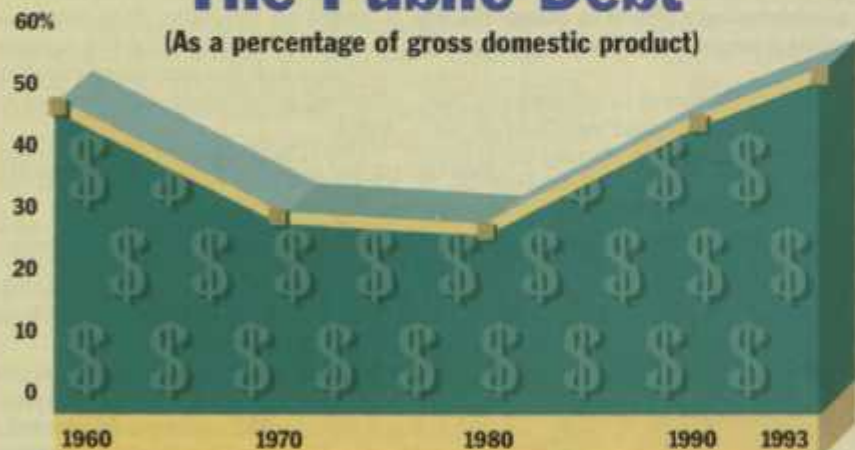
The Senate was expected to vote on its balanced-budget measure in late February or early March. That measure (S.J. Res. 41) is sponsored by Sens. Paul Simon, D-Ill., Orrin G. Hatch, R-Utah,

Rep. Charles W. Stenholm, D-Texas, is leading efforts in the House to adopt a resolution calling for a constitutional amendment to require a balanced federal budget.



The Public Debt

(As a percentage of gross domestic product)



SOURCE: CONGRESSIONAL BUDGET OFFICE

increase the ceiling on the cumulative federal debt, the amendment would require that three-fifths of each house approve and that members' votes be recorded.

The amendment would also require a constitutional majority—51 votes in the Senate and 218 in the House—to approve tax hikes. Currently, approval of tax increases requires only a majority of the members present and voting.

If passed by Congress, the balanced-budget amendment would have to be ratified by the legislatures of 38 states; the bill includes a time limit of seven years for approval by the states.

The U.S. Chamber says a balanced-budget amendment is necessary to

the federal government to individuals and entities, usually in the form of U.S. Treasury bonds and notes. These U.S.

Larry E. Craig, R-Idaho, and 47 colleagues. The Senate measure needed 67 votes (two-thirds of the Senate) for passage. The House measure is H.J. Res. 103.

Contact your representative and urge approval of H.J. Res. 103. Call (202) 225-3121. If the Senate has not acted on S.J. Res. 41 by the time you read this report, call your senators at (202) 225-3121 and urge their support.

■ Guide To Congress

A pocket-sized congressional directory for 1994 is now available from the U.S. Chamber of Commerce.

The 1994 Congressional Handbook lists U.S. Senate and House members for the second session of the 103rd Congress. It includes telephone and room numbers, committee assignments, and their key staff members. Also included are the addresses and telephone numbers for the lawmakers' district of-

fices. Members are listed alphabetically, by state, and by committee. Chamber ratings for lawmakers' votes during their tenure in Congress on business issues are also listed.

A directory of addresses and telephone numbers for the White House, cabinet-level agencies, and state governors is also included.

For price information on the handbook (Publication #0390) and to place orders, call 1-800-638-6582 or, in Maryland, 1-800-352-1450.

■ Taxes

Action Urged Now On S Corporations

Small firms operating as S corporations should immediately press their senators to support a bill that could improve the competitiveness of such companies.

That recommendation comes from the U.S. Chamber of Commerce, which played a key role in getting the legislation introduced.

The bill, the Subchapter S Reform Act, was introduced in the Senate in November by Sens. David Pryor, D-Ark., and John C. Danforth, R-Mo.

"It would strip away the current

maze of restrictions which keep small corporations from expanding and creating jobs," says Julie L. Gackenbach, tax policy director for the U.S. Chamber.

There are currently 1.6 million small firms operating as S corporations. In such a corporation, profits and losses flow through to individual shareholders, and income is taxed only once, at the personal tax level. With a regular corporation, dividends are taxed twice—as profits to the company and as dividends to the shareholders. The S corporation reform legislation would:

■ Provide broader eligibility rules for S corporations and shareholders, enhancing the availability and desirability



Sen. John C. Danforth

PHOTO: T. MICHAEL REID

of S corporation status.

■ Simplify complex rules for S corporations and shareholders and expand capital formation techniques available to S corporations. The purpose is to help create a more level playing field with other

corporations and partnerships.

This would be accomplished by increasing the allowable number of shareholders for S corporations to 50 from 35 and by letting tax-exempt organizations and financial institutions be eligible shareholders.

■ Help preserve family-owned businesses by permitting S corporation owners to place their stock in a variety of trust arrangements.

The Chamber is working with a coalition of trade associations and businesses to foster reform.

To urge support for the bill, S. 1690, write your senators, U.S. Senate, Washington, D.C. 20510.

■ Workplace

OSHA Bill Gets Boost

The recent endorsement of the Clinton administration is expected to give momentum to House and Senate legislation that would overhaul the Occupational Safety and Health Act.

The House and Senate bills are strongly opposed by the U.S. Chamber of Commerce.

Sponsored by Sen. Edward M. Kennedy, D-Mass., and Rep. William D. Ford, D-Mich., the bills would increase the penalties on employers who violate workplace health and safety rules, impose new reporting and record-keeping requirements on companies, and grant employees new powers related to workplace safety.

The administration's en-

dorsement of the bills was made in a letter from Labor Secretary Robert B. Reich to Kennedy and Ford. OSHA Administrator Joseph Dear testified in favor of the bills in early February.

The Chamber and a group to which

it belongs, the Coalition on Occupational Safety and Health, have worked to make business's concerns about the measures known.

In addition to their concerns about penalties, record-keeping requirements, and employee powers, the Chamber and the coalition are fighting provisions that would:

■ Require all companies to have written safety and health programs.

■ Require firms with 11 or more workers to establish joint labor-management safety committees.

■ Allow employees and their representatives—unions—to challenge as inadequate any citations issued to employers by the Occupational Safety and Health Administration.

Write your senators and urge them to oppose the Kennedy OSHA bill; write your representative and urge opposition to the Ford bill. The addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.



Sen. David Pryor

PHOTO: T. MICHAEL REID



Rep. William D. Ford



Sen. Edward M. Kennedy

PHOTO: T. MICHAEL REID

■ Improvements

Chamber Upgrades Communications

Continued from Page 83

television facilities are also being used to conduct town-hall meetings, seen throughout the country, on key public issues.

President Clinton's appearance in a town-hall session on the North American Free Trade Agreement was televised in November to sites nationwide and was a major factor in the successful campaign to win congressional approval of the pact.

5. In a major step to enhance input from Chamber members on policy issues, the Chamber instituted a program of biennial regional meetings across the country.

Views expressed at these sessions figure prominently in the drafting of the Chamber's National Business Agenda, which is presented to each new Congress and to the president on a two-year cycle.

In addition to those initiatives, the Chamber is expanding membership services by developing a new series of on-site seminars and conferences that will be held in cities nationwide to alert members to legislative and managerial trends affecting their businesses.

These meetings, featuring experts in appropriate fields, will allow in-depth exploration of subjects on the agenda and provide opportunities for later networking by participants.

In the latest step in the realignment of member communications, the business federation is expanding the legislative capabilities of its membership centers by merging them with the policy-based regional offices.

Membership staff will have more immediate and direct access to policy experts and will be able to discuss the benefits of Chamber participation more effectively in their daily contacts with members.

At the same time, the U.S. Chamber's Office of Chamber of Commerce Relations in Washington will be expanded for better coordination and delivery of mutually beneficial pro-



The Chamber's satellite seminars often feature big names in the quality-management field, such as Stephen R. Covey (top right). With Covey at a 1993 seminar was Ricci Patrick, administrative officer for the Federal Quality Institute. Another part of the Chamber's communications operation is "It's Your Business," the organization's weekly public-affairs show that focuses on timely business issues. At bottom, on a program on health-care reform, are (left to right) Chamber President Richard L. Leshner; Rep. Dan Miller, R-Fla.; moderator Meryl Comer; Rep. Jim McDermott, D-Wash.; and Rep. Joe Barton, R-Texas.

grams and services to state and local chambers of commerce. This move recognizes the importance of the state and local organizations in many of the Chamber's legislative efforts and program initiatives.

In changes affecting its operations outside of Washington, the Chamber will relocate its New York regional office to the Rockville, Md., membership center, and the Burlingame, Calif., office to the Campbell, Calif., membership center.

The policy and membership staffs now share quarters in Chicago and Dallas, and the merged operations will remain in those locations in those two cities. Policy specialists will be added to the Atlanta membership center.

"This synergistic realignment of the regional and membership offices was made possible by the extent to which we have adapted television and other electronic capabilities to our membership communications," U.S. Chamber President Richard L. Leshner said in an-

nouncing the latest development.

"This high-tech approach enables us to communicate from Washington with members on a real-time basis and to provide them with a far broader range of information than was previously possible."

Leshner pointed out that "the U.S. Chamber has been in the forefront of business organizations using technology to expand their effectiveness, and our ability to influence public-policy decisions for the good of all Americans is stronger than ever."

■ Ballot

Last month, *The Business Advocate* changed from bimonthly to monthly distribution. The Business Ballot, however, will continue to be distributed bimonthly with *Nation's Business* and *The Business Advocate*.

Look for your next Business Ballot with your April issues.

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■ Environment

Chamber Battles For Land Rights

Two significant land-use battles involving the U.S. Chamber of Commerce are at important crossroads in the House and Senate.

One of the disputes centers on reform of the nation's mining law; the other on renewal of the Endangered Species Act.

Final details of mining-law legislation are being worked out by a House-Senate conference committee.

The Chamber pressed business's concerns as mining bills moved through the House and Senate, urging both bodies to adopt a measure similar to the Senate bill.

The Chamber is now urging the conference committee to adopt the version passed by the Senate. The panel is expected to agree on a final bill in March or April.

The House legislation the conference is considering is sponsored by Rep. Nick Joe Rahall, D-W.Va. It is strongly opposed by the Chamber and the mining industry, primarily because it would impose an 8 percent royalty—which the business group says is too high—on the gross value of minerals taken from federal lands.

The Rahall bill also would set up a multilayered permit system for mining activities, place stringent new federal regulations on firms to reclaim lands they mine, and allow government managers to deny access to federal land. It would also allow private citizens or groups to enforce the mining law through lawsuits.

The Senate bill, sponsored by Sen. Larry E. Craig, R-Idaho, would implement a 2 percent royalty on the net value of minerals—the minerals' value minus costs of extracting, developing, exploring, and processing—taken from federal land. Unlike the House bill, which would give the federal government the primary responsibility for setting mine-reclamation standards, the Craig bill would maintain the states' primacy in determining those requirements.

While the Senate conferees have been named, a squabble over who from the House should serve on the conference committee had delayed conference action. The Clinton administration supports the Rahall bill.



PHOTO: LARRY TAYLOR - PHIL M.

The U.S. Chamber is pushing for reasonable regulations, flexibility, and job protections in legislation that seeks to reform the nation's mining law and reauthorize the federal Endangered Species Act. The gray wolf is among the species on the endangered list.



PHOTO: BOB FINE - THE WOLF COLLECTION

In another land-use matter, lawmakers are grappling with legislation to renew the Endangered Species Act. Pending measures to reauthorize and amend the law could have profound effects on landowners and users.

The Chamber supports bills sponsored by Reps. Billy Tauzin, D-La., and Jack Fields, R-Texas, and Sens. Richard C. Shelby, D-Ala., and Slade Gorton, R-Wash. Their proposals would protect biological diversity, property rights, and jobs, the Chamber says.

In addition to reauthorizing the Endangered Species Act, which expired in September, the legislation seeks to improve the scientific criteria for listing species and to compensate landowners for the "taking" of property as a result of species being listed.

The Chamber opposes competing legislation sponsored by Sens. Max Baucus, D-Mont., and John H. Chafee, R-R.I., and Rep. Gerry E. Studds, D-Mass. Their measures would reauthorize the statute and place greater emphasis on preserving ecosystems by limiting land uses.

The Chamber wants the Endangered Species Act changed to address a major problem it has with the law. It wants listings to be based on sound scientific data, not on the current method, which it says is unscientific.

The Chamber expects to testify on the competing endangered species measures in the spring when several committees in the House and Senate are likely to hold hearings on them.

For mining-law reform, call the conferees for the Senate—Sens. Daniel K. Akaka, D-Hawaii; Bill Bradley, D-N.J.; Dale Bumpers, D-Ark.; Larry E. Craig, R-Idaho; J. Bennett Johnston, D-La.; Frank H. Murkowski, R-Alaska; and Malcolm Wallop, R-Wyo. Also, call your representative. Urge them all to support the Craig bill. To reach senators, call (202) 224-3121; representatives, (202) 225-3121.

Also, urge your representative and senators to support the Tauzin-Fields and Shelby-Gorton measures, respectively, to amend and reauthorize the Endangered Species Act.

■ How They Voted

The U.S. Chamber of Commerce's annual publication indicating how members of the U.S. House and Senate voted on issues critical to business during the previous session of Congress is now available.

The latest edition of *How They Voted* lists how representatives and senators

voted on 11 issues in their respective houses of Congress last year during the first session of the 103rd Congress. The publication also includes cumulative vote ratings for the year and the time each lawmaker has been in Congress.

For price information and to order copies of *How They Voted 1993* (Publication #0391), call 1-800-638-6382 or, in Maryland, 1-800-352-1450.